RESEARCH REPORT

LITERATURE REVIEW OF SOCIO-ECONOMIC TRENDS AFFECTING CONSUMERS AND HOUSING MARKETS

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Literature Review of Socio-economic Trends Affecting Consumers and Housing Markets

Final Report

Canada Mortgage and Housing Corporation

June 2003

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Section 1 Introduction

The purpose of the report is to review and consolidate existing research regarding the impact of socio-economic trends on consumers and housing markets, discuss current thinking, identify research gaps and prioritize future research. The terms of reference for this report called for the inclusion of such topics as: the cost of housing and factors contributing to costs; tenure choice and consumer housing preferences; economic factors (such as employment, income, interest rates, inflation and taxation); demographic factors (such as aging, changes in households composition, immigration and migration); sustainable development and infrastructure needs; evidence of market failure; consumer environmental awareness; and land use planning (such as smart growth and growth management).

Because of the significant amount of research already done on affordable housing, the scope of the study excludes information gaps and trends relation to the need for and availability of affordable housing. It also excludes financial product and public policy development, since these topics are more thoroughly addressed through other CMHC research reports.

The report outlines the recent and future aspects of various trends, drawing on major findings in Australia, New Zealand, United Kingdom and United States where appropriate. A discussion of the regional and submarket variations within Canada of the various issues and trends is provided and the report identifies potential research priorities in Canada. The report also contains a full bibliography of all sources consulted. A companion document containing an annotated bibliography was also prepared, with the title *Literature review of socio-economic trends affecting consumers and housing markets—Annotated bibliography.*

1.1 Methodology

A literature review served as the exclusive means of gathering information about the trends and issues affecting housing and consumer markets. Literature originating from a range of sources, including the academic environment, professional organizations, private consultants, the building industry and non-profit organizations was reviewed. The literature also represents work from a variety of disciplines, ranging from economics to demography and sociology, health care, social policy, geography, the physical sciences (engineering) and other related areas.

The methodology included three primary activities:

1. identification of keywords for searches
2. identification of key organizations as sources of information
3. identification of appropriate databases and Web sites for searches.

Keywords were used to search for relevant information from such sources as federal and provincial organizations, research groups and institutes, Web sites, journals and databases.

Key organizations

A list of search sources included key organizations, such as Canada Mortgage and Housing Corporation (CMHC), Canadian Council on Social Development (CCSD), Intergovernmental Committee on Urban and Regional Research (ICURR), Canadian Home Builders' Association (CHBA), Federation of Canadian Municipalities (FCM), provincial Home Builders' Associations, provincial departments of housing and municipal affairs and the Canadian Urban Institute.

Selected publications by Canadian research centres such as the Centre for Urban and Community Studies (University of Toronto); Institute of Urban Studies (University of Winnipeg); Rural and Small Town Programme (Mount Allison University) and McGill University School of Architecture Affordable Homes Program were reviewed. From the United States we reviewed materials from Harvard University's Joint Center for Housing Studies and from Australia, we examined materials from the Australian Housing and Urban Research Institute (AHURI).

Databases and Web sites

Databases such as ProQuest, Carl Uncover, Social Science Index, Ebscohost and Project Muse were used to trace relevant articles published within the last decade. Among scholarly and professional journals covered were: *Housing Studies, Journal of American Planners Association, Journal of Urban Economics, Housing Policy Debate, Canadian Geographer and Social Science Research.*

Several key Web sites were instrumental in providing information on current housing research. They include:

- American Planning Association
  www.planning.org
- Australian Housing and Urban Research Institute
  http://www.ahuri.edu.au
- Australian Institute of Health and Welfare
  www.aihu.gov.au
- CMHC Current Housing Research Database
  www.cmhc-schl.gc.ca
- Canadian Council on Social Development
  www.ccsd.ca
- Canadian Housing and Renewal Association
  www.chra-achru.ca

- Canadian Social Research Links
  www.canadiansocialresearch.net
- Canadian Urban Institute
  www.canurb.com
- Clayton Research
  www.clayton-research.com
- Fannie Mae Foundation—Housing Policy Debate
  www.fanniemaefoundation.org/programs/hpd.shtml
- Federation of Canadian Municipalities
  www.fcm.ca
- Housing Again
  housingagain.web.net
- Housing New Canadians: University of Toronto/York Partnership
  www.hnc.utoronto.ca
- Housing New Zealand
  webnz.com/hnz/default.htm
- Housing United Kingdom Resource Guide
  housinguk.org
- Joint Center for Housing Studies
  www.jchs.harvard.edu/Research%20Page/SON%20intro%20page.html
- Metropolis: Research on Immigration and Integration in the Metropolis (RIIM)
  www.riim.metropolis.net
- Saskatchewan Housing Corporation
  www.municipal.gov.sk.ca/housing/index.shtml
- Smart Growth Online
  www.smartgrowth.org/Default.asp?res=1024
- Social Planning Council of Winnipeg
  www.spcw.mb.ca
- Statistics Canada
  www.statcan.ca
- The Land Centre
  www.landcentre.ca/index.cfm
- Yukon Housing Corporation
  www.housing.yh.ca

1.2 Defining housing submarkets

While it is important to examine the social and economic trends and issues affecting housing markets across the country, it is equally important to assess the relative importance and impact of these trends and issues in different regions of the country and in different types of settlements. Canada has many distinct geographic regions, housing markets and socio-economic subgroups. This poses a significant challenge in developing the most appropriate topology or framework for assessing the impact of various trends.

There are many approaches to looking at regional variation (such as Atlantic, Quebec, Ontario, Prairies, British Columbia and the North) or variation across housing submarkets (such as large urban, small urban, small town and rural) defined in other ways. There is no single, pre-existing topology that provides a simple framework for discussing and analysing the complexity of housing variation across this country. Social and economic issues and trends (such as immigration or the aging of our population) are different in different parts of the country and different across various settlement types. In turn, these will have different impacts and outcomes in different communities.

A framework for examining and assessing the variations among socio-economic trends that affect different housing and consumer markets is necessary to provide further insight into what might be the most important future research questions. An analysis of the trends against various housing markets and geographies will help determine which trends affect all or most of the housing markets and thus suggest that those will likely be more important future research questions than others.

Our approach to analysing the various issues and trends within the literature was to develop a series of housing submarkets that take into account the following elements: pace and type of economic growth; presence or availability of various forms of capital and economic resources; population size, density and composition; availability of services; labour market differences; diversity in the nature of the housing stock and the range of housing options available; different housing market circumstances; climatic challenges that impact the nature of construction and the cost of housing; different approaches to development and planning; and, different levels of expertise in planning and development. Based on these elements, the housing submarkets used in our analysis of trends and issues are:

High-growth metropolitan centres

This submarket generally includes many of the Census Metropolitan Areas (CMA), whose urban core populations are at least 100,000 (e.g., Toronto, Vancouver, Calgary, Ottawa-Hull and Victoria). Many of the CMAs experience high rates of population growth compared to other smaller urban centres. These communities have a reasonably robust economy (with access to markets, a large workforce with a variety of skills, investment capital for business starts and expansions) and generally tend to be a destination for new migrants (both international and domestic). This submarket also includes the more dynamic, larger Census

Agglomerations (CA), whose urban core populations are at least 10,000 (e.g., Moncton, Barrie and Brandon), where higher rates of population growth are more prevalent, driven in part by favourable locations and the presence of sufficient capital for economic development. Collectively, these places also tend to serve as important service centres for a variety of public services, including government services, health care, post-secondary education and much more.

Slow-growth metropolitan centres

The communities in this submarket generally have slower population growth rates and are not as attractive as destinations for migrants and immigrants because they have less-stable economies. In addition, many (but not all) of these communities would have traditionally relied on the economic activity associated with natural resource development and processing, which has experienced a long period of labour force reductions and continued changes in global market demand and prices. These include the CMA and CA urban communities in most of Atlantic Canada (Sydney, Saint John), as well as parts of Quebec (Chicoutimi-Jonquiere), Northern Ontario (Sault Ste. Marie), the Prairies (Moose Jaw) and British Columbia (Prince George) outside of the major growth centres. Another common feature of these places is that many have relatively fewer public and social services relative to the high-growth urban centres, or are experiencing some type of difficulty providing full access to such services (for example, a shortage of doctors or medical professionals). Some of the communities in this category would be retirement communities as well.

Small town Canada

While there is significant variation within this category (especially when comparing small towns close to large urban centres to those located much farther away), this housing submarket includes most of the urban centres of more than 1,000 and less than 10,000 population. It does not include small towns located in remote parts of provinces or small towns in the North. Generally speaking, small towns have slow or negative population growth (unless they are located close to large urban centres that are experiencing population growth), youth out-migration, an older population and decaying infrastructure. In addition, small towns are challenged by the fact that they have development challenges associated with a smaller labour force (making it more difficult to meet the labour force needs of expanding businesses or businesses interested in relocating), fewer housing choices for residents and a limited range of public and social services (many of which may need to be accessed in larger urban centres).

Rural communities

This submarket includes the unincorporated places plus the incorporated centres of less than 1,000 population. Again, there is significant variation within this category (e.g., there are differences between communities located reasonably close to large urban centres and those that are much further away). While many of the characteristics are similar to those of the smaller small towns noted above, these communities are also characterized by a lack of land use planning, housing markets with limited or no demand, more dispersed and less-dense settlement patterns and other demographic and economic challenges, such as population loss and closure of businesses and associated job losses, that reduce the demand for housing.

The North

This submarket covers the three Northern territories and the northern parts of most provinces (i.e., Labrador, northern Quebec, parts of Northern Ontario, northern Prairies and northern British Columbia). Generally speaking, there are infrastructure and housing construction challenges associated with building in a cold climate. While population centres are few, dispersed and small, the fastest-growing population in Canada can be found in many northern communities: the Aboriginal population. Some Northern communities that serve as administrative centres may offer a wider range of social, public and economic services than smaller and more isolated settlements.

Using these five categories or housing submarkets as a framework for assessing variation in trends and issues provides two important analytical components for this study. First, it allows for a summary of the trends and issues to be developed for each submarket, providing focus on those which are most important in each submarket. Second, it allows for an assessment of those trends and issues that are common and those that are different across the submarkets. Those that have impacts across many submarkets are likely to have greater importance in terms of future research questions.

However, we recognize that this approach has its limitations:

Within any of the above categories, there is still some variation. For example, both Vancouver and Toronto are high-growth centres, but there are potentially different issues associated with economic structure, climate, land use patterns, ethnic mix and many other elements which are directly and indirectly related to social and economic trends affecting housing and consumer markets.

From category to category there may be some overlap in some of the elements, as well as some of the impacts of the trends and issues on housing and consumer markets. For example, slow-growth metropolitan centres generally do not attract many international or intra- or inter-provincial migrants and neither do rural communities and small towns. This is one factor that limits investment in new rental housing in both types of places. But looking at the collective mix of trends and the resulting impacts on housing for these three different types of markets, one would find enough differences to warrant this topology.

We have not provided a full listing of all possible elements used to describe or characterize each category or submarket. This would not be particularly useful because one could debate the mix of variables and indicators and the relative weight or importance of each. For convenience purposes, we work with the notion that there are, for example, high-growth metropolitan centres, characterized primarily by rapid population increases and reasonably robust economies and this is enough of a difference when compared to slow growth metropolitan centres, characterized primarily by low levels of population increase and much less robust economies to result in different kinds of impacts on housing.

We have not provided a full listing of all possible communities that constitute each category or submarket. This would not be possible because we have not developed a detailed method for "calculating" where each possible community would be placed, based on a mix of variables and indicators and the relative weight or importance of each. We have provided some illustrative examples. Communities themselves can self-identify which type of housing submarket best reflects their socio-economic situation. Likewise, readers can identify communities that generally fit one or another category based on their knowledge of these communities. The point is that there are different types of communities and it is important to understand what the differences are in terms of trends that affect housing.

Any topology can be challenged on the basis of inclusiveness or exclusiveness. Regardless of the framework established or how the submarkets are defined there will always be characteristics common to all the submarkets in the topology. Given the diversity that exists from one region or submarket to another there will also be characteristics that are not captured in the definition. It is just not realistic for any topology to capture all the diversity and differences that exist. Despite these shortcomings the topology used here is an important analytical tool.

After we provide a review of the trends and issues from the literature, we use the topology to analyse any differences among these trends and issues within Canada in terms of how they affect different types of communities in different ways. Understanding the trends and issues within this context helps to inform the assessment of, and discussion about, future research priorities. For example, trends and issues that affect many different types of submarkets are likely to be of greater importance in terms of developing future research questions to better understand the housing outcomes they produce. At the same time, we recognize that some of the issues and trends may in fact be the same in two or more categories, but the extent to which they affect different submarkets may be more a matter of degree or magnitude. There will be some commonalities from one submarket to the next, but taken as a whole, there are enough differences to warrant at least these five different submarkets.

1.3 Priorities for further research

Setting the agenda for future research priorities is critical to ensuring that the most accurate and relevant information is available for policy development and action planning. Given the multitude of issues and trends that affect housing and consumer markets, the varying perspectives brought to bear by different stakeholders, the submarket differences and research budget/resource limitations, there will be competing research priorities.

Our approach to developing the list of research priorities includes:

- A review of the existing knowledge on specific trends and issues. For which items do we continue to require ongoing information, especially as it relates to anticipated changes? What are the topics for which we have little or no information? Which trends are most important in Canada? These are included within a summary of "research gaps by topic" in Appendix A. (see page 85)
- A review of recommended "further research" from the literature. What ideas do researchers and others have about the most pressing needs for further research? These are included within a summary of "research gaps by topic" in Appendix A (see page 85).
- A review of common and dissimilar issues and trends across the different submarkets. Which research outcomes will have applicability in more than one submarket? Which topics require specific or focused research? These are included within a summary of "research gaps by submarket" in Appendix B (see page 91).
- A synthesis of this information, including an assessment of gaps that appear in the research on issues and trends, which transcend a number of submarkets or which link one major socio-economic issue to another. These are included within a summary of "additional research gaps" in Appendix C (*see* page 96).

This broad analytical approach to examining the most important trends leads to the identification of priority areas for research. Building on the summary analyses provided in the appendices, we then use the following criteria to assess and develop a list of potential priorities for future research:

- The importance the issue or trend is given in the literature, particularly as a driver of (the) housing market(s).
- The potential of the issue or trend to influence a number of submarkets and geographical regions.
- The gaps in research on the issue or trend that are apparent from a review of the literature.
- The potential to build on existing knowledge.
- The potential to actually carry out a research project on the priority issue (i.e., the topic can actually be researched and is not general or esoteric in nature; the data exists or is possible to collect; it is financially feasible to carry out the research, etc.).
- The potential for having a major impact in terms of new knowledge creation or developing new avenues of inquiry and investigation.
- The potential to have an impact on or influence public policy.

- Our own knowledge of housing issues and trends.

The report now turns to a discussion of the major trends affecting housing and consumer markets, grouped by major topic area (Section 2, page 10). This is followed by a summary discussion of the trends and issues grouped by submarket (Section 3, page 44) and international perspectives on the trends and issues (Section 4, page 58). The report concludes with an assessment and discussion of the priority topics for future research (Section 5, page 70).

Section 2. Trends affecting consumers and housing markets

In this section we provide a summary of the major trends and issues affecting housing and consumer markets in Canada. The summary is organized around 12 major topics. For each of the topics a summary of what is known about the trends from the literature is provided and suggestions for potential further research as identified from the literature are presented. For each topic, any important variations related to different regions or submarkets within Canada are also highlighted.

2.1 Macro-economic factors

A number of macro-economic factors, such as interest rates, taxation and changes in labour markets, have affected and continue to profoundly influence the housing industry and consumers. Research on macro-economic factors affecting consumers and housing markets in Canada indicates that during the first 25 years of the post-war era, new housing construction tended to be counter-cyclical, moving in the opposite direction to the economy at large. This was an era when governments set interest rates and concentrated on credit programs to promote new housing starts as a way of stimulating a sluggish economy. Over the past 15 years, the pattern has reversed. Starts and completions reflect economic swings now that mortgage markets are integrated with capital markets and are subject to the same forces that affect other sectors of the economy (CMHC, 1995b).

Interest rates have an indisputable effect on housing sales and new housing construction. For example, the Canadian Real Estate Association linked mortgage rates, which rose steadily throughout most of 1994, to lower housing starts and resale activity during this period (Angus Reid Group, 1995). New home construction, which represents close to half of total residential construction spending, is highly sensitive to economic conditions and its growth during cyclical upturns is important in helping the economy regain momentum (CMHC, 2000d). In the last few years (2000-2002) record low interest rates set to counter the most recent economic downturn have contributed to robust housing activity in North American markets, while other economic indicators such as industrial activity showed signs of decline. Research evaluating the effects of housing stimuli during the last decade should be undertaken in order to inform more effective actions today and set future research agendas (CMHC, 2000d).

An overview of housing activity and indicators concerning the performance of the Canadian housing industry shows that new home builders and renovators work in an extremely competitive environment: margins have been under pressure due to government charges and taxes and regulations (CHBA, 2001a). A number of studies have shown that the restrictive government budgets in the 1990s—fiscal restraint at all levels of government—threatened to increase already heavy industry costs (Lampert, 1998; CHBA, 1992).

Housing industry advocates argue (CHBA, 2001b) that the taxation system, in particular the increase in federal sales taxes on new homes resulting from the introduction of the GST, directly affects the affordability of homeownership and the viability of rental housing construction in every community in Canada. The additional 2-3 per cent in federal sales taxes results in an extra cost of $3,000-$4,500 when buying a $150,000 home. The Canadian Home Builder's Association (CHBA) asserts that there is strong evidence of a link between the introduction of the GST and a rise in underground residential renovation activity. As with new housing, the federal sales taxes collected on renovation increased significantly when the GST was introduced. According to CHBA (2001b) estimates, however, underground workers carried out over half of repairs and 44 per cent of alterations and improvements in Ontario.

Changes in income tax treatment have also hit the rental-housing sector. Since the early 1970s, these changes have significantly reduced the attractiveness of rental investment. Rental starts in Canadian centres with populations of 10,000 or more have dropped from 50,000 units in 1987 to just 14,000 units in 2001 (CHBA, 2001b).

Another macro-economic trend that is certain to affect consumers and housing markets is changes in the nature and level of taxation, as it has considerable impact on household income. Recent trends in taxation have provided tax relief and the potential to increase people's disposable income that can be spent on housing. Tax relief has come in two forms: increases in tax expenditures that are targeted at certain households and general tax cuts that have affected a much broader range of households. Tax expenditures to targeted groups have included the Canada Child Tax Benefit, the education credit, disability tax credit and the credit for interest on student loans, among others (Department of Finance, 2003). These expenditures have generally been targeted to households with lower incomes. General tax cuts, such as changes to tax rates, the amount of income a person can earn tax free and the elimination of certain surtaxes affect a much broader range of households, including those with low, modest and high incomes. Overall recent taxation trends have put more money in the pockets of most households, enhancing their housing purchasing power.

According to the Angus Reid Group (1995), there remain significant challenges on the housing agenda. While overall homeownership affordability has improved over the past decade due to lower interest rates and relatively stable house prices, pessimism about the job market, slow income growth and, in some Canadian markets such as the Atlantic region, concern over steadily declining personal disposable income and shrinking personal savings (MacDonald, 1998), delay purchasing plans for Canadians. Availability and security, of employment have for many years been major "top-of-mind" issues for Canadians of all ages.

Changes in employment greatly influence overall housing trends and shape changes in housing demand in particular Canadian regions (see CHBA, 2001a and MacDonald, 1998). During the period from the early 1980s to 2000 Canada's regions experienced differing patterns of economic growth and consequently, varied levels of employment and population in (or out) migration and different rates of household formation. In the late 1980s, people tended to migrate to regions with strong job markets, such as Ontario and B.C. More recently (mid-1990s) another strong wave of in-migration has affected housing markets in Alberta and Ontario, where housing starts have increased significantly. According to the Canadian Home Builder's Association (2001a), slower-growth regions, particularly Quebec and Atlantic Canada, experience steady outflows of population as people seek job opportunities elsewhere. There has been strong employment growth in Canada since 1994, with the exception of a minor slowdown in 2001. On the whole, these changes in employment patterns are strongly associated with continued urbanization of the Canadian population and the relative decline or much more modest expansion of population and economic growth in rural regions of the country.

2.2 Demographic changes

Although there are clearly documented demographic trends in Canada that can be considered national in scope, Canadian demographics also illustrates significant regional and, in some cases, ethnic differences. The following discussion will focus first on trends that characterize the population on a national basis and then highlight some of the other major differences.

Nationally, population growth is slowing and rates are projected to continue to decline over the next couple of decades (Statistics Canada, 2001). Fertility rates have been decreasing over the last four decades and, although the current decline is very modest, there is no evidence to suggest the trend will be reversed in the immediate future. Death rates continue to be low (although rising because of the aging population) and life expectancy is increasing (Statistics Canada, 2001). Current fertility rates are below replacement levels. Population growth in Canada would be very much lower were it not for continued international migration to Canada (Statistics Canada, 2001; CMHC, 1996). Expanding on future growth scenarios, McVey and Kalbach (1995) note the link between an aging population and low, but relatively stable, fertility rates, which will be mitigating factors of future growth. The level of immigration will be the key to future population increases.

Nationally, one of the most significant trends is undoubtedly the aging of the population and the increasing number of seniors (CMHC, 1989, 1996; Statistics Canada, 2001). By the middle of the 21st century more than a quarter of the population will be 65 years or older, compared to the current 12 per cent (Statistics Canada, 1996). The aging of society is encouraging the industry to:

- develop new designs to accommodate changing physical needs, yet promote independence;
- develop new financing and tenure options for empty nesters and retirees;
- develop new financing programs so seniors can modify their existing homes and cover operating costs as their incomes decline with retirement (equity conversion mortgages); and,

- renovate the existing stock to address the accessibility requirements (e.g., wheelchair access) and modification of bathrooms (and other rooms) and features of the home to accommodate reduced mobility and other physical and mental changes associated with aging.

A growing percentage of the senior population is expected to "age in place" in their own homes and to live alone (Department of the Environment, 1995; CMHC, 1989). These aging trends will require more customization of house designs and changes to the existing stock to support such features as emergency response systems, sight and hearing supports, wheelchair access, improved design of kitchen cupboards, special bathroom fixtures and supports for the delivery of home care services to accommodate reduced mobility and reduced physical and mental capacities. Accessory apartments or granny flats so seniors can live in an extended family situation will become more common (Carter Research Associates, 1995, 1999). However, because of the increased mobility of the population it is likely that seniors will have fewer family members nearby to provide care, increasing the need for more home support services.

Other demographic trends of importance include:

- Shrinking household size. The average number of persons per private household fell from 3.9 in 1971 to 2.6 in 2001 (Statistics Canada, 1961 and 2001, Analysis Series). Although future declines will be modest, a decline in household size does generate more individual households and keeps demand for housing higher, even with modest population growth, than would have been the case had household size not declined.
- The number of private households is still growing faster than the population living in them. Between 1996 and 2001, private households increased 6.9 per cent, while the number of people living in them rose 4 per cent.
- Non-family households (people living alone or with other unrelated individuals) have grown and will continue to grow more rapidly than family households. In the period 1961 to 2001, non-family households increased from 13 per cent to 28 per cent of total households, growing in absolute terms from 605,801 to 3,191,955 households (Statistics Canada, 1961 and 2001, Analysis Series). This trend is associated with the aging of the population (seniors living alone) and people marrying or partnering later, or not at all and more young people leaving the parental home and living on their own.
- An increasing number of single-person households. The proportion of single-person households has increased from nine per cent of all households in 1961 to just over 25 per cent in 2001 (Statistics Canada, 1961 and 2001, Analysis Series).
- In 2001, married or common-law couples with children aged 24 and under living at home represented only 44 per cent of all families in Canada. In

1991, they accounted for 49 per cent and in 1981 they represented 55 per cent.

- At the same time, couples with no children living at home accounted for 41 per cent of all families in 2001, up from 38 per cent in 1991 and 34 per cent in 1981.
- Lone-parent families represented 16 per cent of all families in Canada in 2001, up from 12 per cent in 1991 and 10 per cent in 1981.
- Continued high levels of separation and divorce will mean an increasing number and proportion of single-parent families.
- A total of 34,200 same-sex couples were counted in Canada in 2001, 0.5 per cent of all couples (2001 Analysis Series).
- Overall there will be stronger growth in non-traditional households, such as childless couples, elderly couples, same-sex couples, young singles and elderly singles. There will be only modest growth in the traditional family of husband, wife and children.
- Growth in the empty nester (55-64) and 65-plus population will be 67 per cent and 97 per cent, respectively, from now to 2016. Growth in the first-time buyer age group (25-34), however, will be much more modest—just over five per cent—during the same time frame (Statistics Canada, Population Projections Medium Growth Projections based on 2000 population estimates).

These additional trends will have significant effects on housing markets. The growing number of single-person households, including single seniors, increases the potential demand for affordable rental units. Family break-up and the growing number of single-parent, generally female-led, families also increases potential demand for affordable rental housing as low income is generally a characteristic of this group (Statistics Canada, 2001; CMHC, 1989, 1992, 1996 and 2001e; Hosios and Fallis, 1995). To this point, however, this demand has not translated into significant new rental housing starts, in part because the low income of many of these individuals will not support rents that generate an adequate return on investment for the private sector. Instead, increased demand has been largely met through other sources of supply, such as conversions from non-residential to residential and through the development of secondary suites in single-detached dwellings.

With increasing numbers of smaller, often non-traditional households, new designs and a different mix of tenure options will become more common. Tenure options can include condominiums (whereby residents have title to their individual units, non-exclusive rights to the common elements and membership in a condo corporation, which controls all decisions related to the development) and co-housing (in which residents own or rent their individual units, which are clustered around a common area with shared amenities such as swimming pools, exercise rooms and outdoor gardens) (Canadian Cohousing Network Web site, 2001) and life leases. Life leases are defined as units to which a person has occupancy rights for the duration of their life. Residents of life-lease projects pay an entrance fee and monthly occupancy fees, which increase or decrease depending on the amount of the entrance fee. Life-lease projects generally do not allow residents to accumulate any additional equity in the project and when the lease is terminated, residents receive only the entrance fee back (generally without interest). Ownership of the unit remains with the sponsoring agency, with residents entering into a life-long lease agreement. In some cases, the life-lease arrangement may permit some accumulation of equity. When the lease is terminated, the leaseholder gets their entrance fee, plus appreciation amounting to increases in market value in the project or a share of this appreciation, depending on the formula agreed to in the initial lease agreement.

Ownership rates are likely to remain high because many aging empty nesters and seniors, particularly couples, are likely to opt for tenure options that incorporate an equity-ownership component. This could include condominiums and life-lease arrangements. They will likely more often be in lifestyle retirement projects, particularly gated communities or projects associated with other leisure and recreational lifestyles (Golby, 1999; Hesse, 2001). Demographic trends suggest only nominal growth in the first-time buyer age group. This will mean continued, but modest, demand for starter homes. The demand for new units may be quite limited because move-up buyers will be placing their starter homes on the market and some first-time buyers are likely to opt for the purchase of an existing unit. Demand for well-appointed homes, featuring a high level of craftsmanship and many built-in amenities, will continue and be driven by the move-up buyer.

The continued high level of international migration to Canada is increasing the already culturally diverse nature of the Canadian population. The diversity of the immigrant population has been increasing significantly. Prior to 1961, 90 per cent of the immigrant population had originated from the United Kingdom or European countries. In the period 1991 to 1996, only 19 per cent originated from this region, while approximately 65 per cent originated in various countries in Africa or Asia and others came from Central and South America and the Caribbean (Statistics Canada, 1996, Nation Series). The immigrant effect on housing demand in general and on the demand for different home designs and housing options will continue to be a factor in the marketplace, particularly in the high-growth urban centres (Statistics Canada, 2001). CMHC (2000c) noted that 74 per cent of most-recent immigrants (those arriving in the 1991-1996 period) reside in one of Toronto, Montreal, or Vancouver. About 39 per cent of all most-recent immigrants are more likely to find themselves in core housing need. In addition, most-recent immigrants are typically renters (70 per cent). Over time, immigrants are likely to become homeowners and be in housing conditions and circumstances similar to that of the general population. For example, 76 per cent of immigrants who arrived prior to 1976 are homeowners.

Intraprovincial and interprovincial migration trends—other important aspects of population change—exhibit significant regional differences. Migration tends to be selective in terms of origins and destinations, as well as being age specific. These trends create housing surpluses in some areas and raise demand in others. Migration destinations have been and for the foreseeable future are likely to continue to be, the major metropolitan centres, particularly in Alberta, British Columbia and Ontario. Migrants come from other provinces but the vast majority of international migrants also gravitate to major metropolitan centres, adding to the regional shifts that are occurring. In addition to this regional shift, there is an ongoing rural-to-urban shift as the agricultural and other resource-based sectors decline relative to other sectors of the economy. Most rural areas and small towns (with the exception of those on the fringes of high-growth urban centres) continue to decline and generally the younger age groups (both families and singles) make up the majority of people leaving. In addition to these general migratory patterns of younger people, seniors are moving in significant numbers to retirement centres, often those in the warmer, coastal parts of the country.

These migratory patterns will generate more overall demand in destination areas and will also generate demand for different types of housing: rental for young singles, single-family homes for young families and various retirement homes and other housing types for the elderly. This growth is reflected in housing markets by the level of housing starts and sales of existing homes. This growth, however, has been very urban-focused and the markets much more buoyant in the major urban centres in the destination areas.

Rural areas and particularly small centres in the Prairies, the North and the Maritimes experienced significant population loss during the 1996-2001 census period, which has resulted in deteriorating housing market conditions in many centres in these regions. Yukon, the Northwest Territories, Newfoundland, New Brunswick, Nova Scotia and Saskatchewan all experienced population losses during the 1996 to 2001 Census period and growth was negligible in Manitoba and Prince Edward Island (Statistics Canada, 2001). Many of the declining communities in these provinces and territory are experiencing reduced investment in housing and will continue to be characterized by low house values, vacancies and abandonment. Investment in rental housing is particularly sensitive to population decline and these centres often face a shortage of adequate, affordable rental accommodation for people remaining in smaller communities. Units in these communities that may be sitting vacant or abandoned are often older and in poor condition and not always the type of units suitable for the characteristics of households requiring housing. For some households with sufficient incomes, the lack of suitable and affordable rental housing choice may be offset by generally improved affordability of homeownership in some smaller markets.

The demographic characteristics of the Aboriginal population also stand out as distinctly different. As the majority of the Aboriginal population lives in the West and the North these differences have regional significance. Higher fertility rates (birth rates are double the national average) and a much-younger population profile result in much higher rates of population growth and household formation. These trends will be maintained well into this century. Higher rates of household formation, when combined with the relatively low incomes of Aboriginal households, will dictate a need for more affordable family housing (Norris, et al., 1996; Kerr, et al., 1996; CMHC, 2001e; Social Planning Council of Winnipeg, 2001).

Analysis based on the 1986-1991 Census period indicates there is some interprovincial migration of the Aboriginal population, generally representing shifts between the far North, mid North and southern regions of Canada. The most common movement is related to off-reserve Aboriginal people moving from off-reserve communities to other, generally larger, urban centres. (CMHC, 1996). Large urban centres are experiencing net gains as a result of migration, while modest net losses have been recorded off reserves in smaller urban centres and rural areas. Reserves gained population through some reverse (urban-to-reserve) migration and from natural increases, but the largest component of the on-reserve increase is attributed to the return migration of individuals who obtained Indian Status under the 1985 amendment to the Indian Act (Bill C-31). Data also suggest that females, younger families and lone-parent families are over-represented among Aboriginal migrants from rural and on-reserve communities.

Work on the 1991-1996 Census period (Norris and Beaven, 2000) identifies similar trends. Although they characterize the Aboriginal population as relatively stable and identify the same limited movement back to the reserves, they suggest that housing pressures and a shortage of job opportunities and services on-reserve, combined with growth of the working-age population and educational and training requirements, may increase pressures to migrate from reserves. This may be counterbalanced by difficulty obtaining suitable housing and continued high unemployment rates in urban communities. Norris and Beaven (2000) and Clatworthy (2000) both refer to "high churn" of Aboriginal people in cities. The Aboriginal population is in a high state of flux related to upheaval and break-up of families, difficulties related to accessing adequate and affordable housing and high unemployment rates.

Overall, Canada's population is expected to illustrate modest rates of growth, with the most significant growth concentrated in major urban centres in British Columbia, Alberta, Ontario and Quebec. Most of the increase in numbers will be attributed to migration from a variety of international locations, which will also increase the diversity of the population. The population will continue to age, although the Aboriginal population will stand out as distinctly different in this respect, reflecting a much younger profile. The overall trends suggest a modest, but continuing, demand for housing with disinvestment in rural areas and smaller communities in most provinces and more substantive investment in major urban centres. Aging, the diversity generated by migrants and the growth in what has been characterized as non-traditional households will strengthen the already prevalent trend towards new tenure and design options. Many of these same characteristics, as well as the growth of the Aboriginal population, will also generate a need for more affordable housing options.

2.3 Labour force changes

Canada's labour market has undergone major changes in recent decades, experiencing significant shifts in the type of work performed, rates of pay and job security. These changes have influenced housing markets and housing affordability, as well as housing design, tenure and finance options.

Carter Research Associates (1999) state that over the past several decades, the declining importance of manufacturing and resource-based industries has resulted in an overall reduction of employment opportunities in the semi-skilled and blue-collar sectors. New employment growth, however, has occurred in service industries and "new economy" activities such as information technology and research and development. Some of these new jobs are professional and highly skilled with attractive salaries and benefits, others are lower paying (often minimum wage or slightly above) and may be part-time or contractual in nature—jobs in the fast food industry, for example. In fact, in recent years, secure employment and income opportunities have declined for many in society and work has become more non-standard (Statistics Canada, 2001; Yencken and Porter, 2001; CMHC, 2001d). Non-standard work refers to casual, part-time, short-term, contractual, seasonal and self-employed work. Labour force trends have created a divided market situation based on good jobs, bad jobs (Yencken and Porter, 2001). This divided market situation is increasing the income gap between high-end and low-end jobs (the "hour glass" society).

The effects on consumer and housing trends are significant. For example, professionals in "new economy" positions are more likely to purchase high-end homes and although the traditional single-detached homes are often their first choice, many are seeking options such as loft condos and apartments in the inner city where many new economy jobs are located. This trend is helping to revitalize inner-city residential areas and breathing new life into downtowns. Work by Richard Florida (Florida, 2000a; Florida, 2000b; Florida and Gates, 2001) in the United States focusing on "knowledge workers" illustrates that these workers are not only interested in certain types of housing in certain areas of the city, but they are also very much influenced in their location decision by the characteristics of cities. They value cultural diversity, certain lifestyle amenities and various environmental characteristics. If this is true of "knowledge workers" in Canada it suggests that not only will they affect the location and demand for housing in particular cities, but they will also generate higher demand in certain cities.

On the other hand, those people at the other end of the job market (part-time, no benefits and lower wages) have difficulty accessing adequate and affordable housing. For example, CMHC (1994) illustrated that those who are unemployed, part-time workers or dependent on government transfer payments are more likely to be in core housing need. Core housing need refers to households that are unable to afford shelter that meets adequacy, suitability and affordability norms without expending 30 per cent or more of a household's gross income (CMHC Web site, 2001).

Another factor related to job instability is the emerging gap between the technological have and have-nots of the echo generation—those born between 1980 and 1997. (Gibbins et al.2001). Those living in households that have access to computers and connections to the Internet will have a certain advantage over those households that cannot afford computers or do not have access to the Internet. This will affect the employment and income potential for a large proportion of young people who have been technologically disadvantaged (CMHC, 1996). It should be acknowledged, however, that this technological disadvantage is really symptomatic of lack of education, training and skills development. Access to computers and the Internet may not necessarily improve opportunities for employment unless the problems of education, training and skills development are addressed.

Participation rates, another important characteristic of the labour force, have also been changing. Statistics Canada data reveals that the participation rate of men is decreasing slightly (Statistics Canada, 2001). However, the participation rate among women is increasing as more women are postponing or forgoing marriage and childbirth, in addition to having fewer children. Women are entering the workforce in greater numbers and spending more years in the workforce. In addition, more women are self-employed than in previous years, an outcome related to higher levels of educational attainment (Statistics Canada, 2001). This has had a positive effect on housing markets, as the number of two-income households grows and these households have more combined income to address housing needs. This has increased the demand for housing and improved the housing conditions of many households. This will depend, however, on where these two-earner households are positioned in the labour market: in the higher-paying, skilled and professional positions; or in the lower-paying, unskilled service sector.

In addition to the increasing polarization of labour markets, there is also evidence to suggest that there is a lack of skilled labour in some areas, such as the construction industry. This has resulted in reduced or postponed activity in the construction sector. In some cases, the creation of new housing projects and work on existing housing units is deferred because construction companies cannot find the required labour resources (Institute of Urban Studies, 2001a; 2001b).

The polarization of the labour force is also having specific market and neighbourhood effects within cities. The increasing numbers of high-income professionals (for example, working in information technology, research and development) who are more likely to locate in the downtown or inner city areas are becoming gentrifiers. Many of these middle- and higher-income individuals take up residence in older inner-city areas and renovate or convert housing so that it conforms with middle-class taste while increasing the overall price and quality of housing in these older residential areas. Gentrification is also more likely to be prevalent in areas with specific site amenities such as character housing, parks, exceptional views and other locational assets, such as proximity to employment. The process may lead to displacement of lower-income households, especially those living in rental and rooming house accommodation. Ley (2001), whose work has documented this process, contends however that gentrification is a process that occurs in stages and thus displacement of lower-income groups can be gradual and adequately managed by appropriate housing policies.

Low-income individuals and families have less choice in the housing market and will be forced to seek out lower-priced rental options. In many cities this means living in the inner city in older, poorer-quality apartments and homes. The combination of lower incomes and poorer-quality accommodation are contributing factors to neighbourhood decline. Often, these areas are characterized by concentrations of recent immigrants or particular ethnic groups. For example, Aboriginal households are a dominant presence in Prairie inner cities and their educational and labour force characteristics are very different from other sectors of society. Analysis by Kerr et al, (1996) illustrates that educational and skills levels of the Aboriginal population lag those of the non-Aboriginal population and unemployment rates for the Aboriginal population are two and one-half times higher. In addition, Kerr's work demonstrates that from 1981 to 1991, average incomes actually decreased for Aboriginal people. Their ability to access adequate, affordable accommodation and invest in the improvement of housing is very limited.

Labour force trends display several important features associated with larger urban centres.

- Labour force growth is expected to remain primarily urban focused with continued concentrations of new employment opportunities in a few major urban centres.
- High-salaried, professional job opportunities will be particularly concentrated in these urban centres.
- The growing number of new economy and high-tech opportunities will continue to gravitate to cities that have existing and expanding employment infrastructure in these sectors. Regional clusters of high-tech industries such as aerospace, computer and information technology will continue to expand and industries will capitalize on the principles of agglomeration economics in cities such as Vancouver, Calgary, Saskatoon, Ottawa, Toronto and Montréal. This will continue to force peripheral cities to become more competitive in attracting and maintaining capital investment.

Without a structural shift in employment opportunities, the continued concentration of better-paying jobs in major urban centres will mean individuals living in rural communities will continue to be underemployed as a result of limited employment growth and their inability to access jobs in peripheral locations. Often, lower skill levels restrict the opportunities for people in these rural areas to move and access better jobs. This is compounded by soft housing markets and declining housing prices in rural and peripheral communities, making it more difficult for those interested in moving to find buyers for their homes. As a result, the spatial entrapment of many will continue, if not escalate. People with low levels of education and job skills living in the inner city face the same sort of spatial entrapment.

The changing labour force characteristics and income instability have had a mitigating effect on the housing market in many areas of Canada. The combination of increases in non-standard work and the associated lower incomes mean that many individuals and families have found it increasingly difficult to purchase a home or rent adequate affordable accommodation (Kupke and Morano, 2001). There is little evidence to suggest this will change in the immediate future.

Groups most vulnerable to unemployment have been Aboriginal people, immigrants and youth (Statistics Canada, 2001; CMHC, 1996). Statistics show that from 1981 to 1991, Aboriginal unemployment rates increased dramatically (Kerr, 1996). High unemployment rates among Aboriginal people are the result of numerous factors, including: lack of skills and little education; a weak economic base in many rural and/or remote communities and hence, few job opportunities. Shelter expenditures are consuming a very high percentage of household income for these low-income households, particularly the Aboriginal households. CMHC's study (January 1992) supports these findings and documents the growing inequality involving the distribution of income and shelter expenditures in Canada from 1981-1991.

Growth in professional, highly skilled positions (more common in major urban centres), on the other hand, has allowed many other households to significantly improve their housing circumstances.

2.4 Housing construction and renovation

There is a strong connection between trends relating to new housing construction and trends relating to the existing housing stock and its maintenance. The 1996 Census indicates that about two-thirds of Canadians are living in housing that meets or exceeds Canada's high housing standards. In addition, Canadian housing has been increasing in size and amenities. The average new home size in Canada has risen from 1,374 sq. ft. (128 m^2) in 1993 to 1,455 sq. ft. (135 m^2) in 1998, or about one per cent annually (CMHC, 2000a). Single-detached starts account for over half of all housing starts in Canada (CHBA, 2001b).

Housing starts in Canada have increased from the relatively low levels (110,933) of the mid-1990s. New housing starts reached 162,733 in 2001 and 205,034 in 2002 (CMHC, 2003). CMHC, using its Potential Housing Demand (PHD) model, projects that household formation in Canada during the 2001-2006 period will average 157,800 annually for 2001-2006, 154,600 annually for 2006-2011 and 148,800 annually for 2011-2016 (Lewis, 1997). Real spending on residential construction has grown significantly over the last three decades, from $4 billion in 1971 to $20 billion in 2000 (CHBA, 2001a). New home building, renovations and other residential spending totalled $49 billion in 1999, accounting for over five per cent of Canadian Gross Domestic Product (CMHC, 2000d).

Most of the increase in housing starts in Canada in 2001 is attributed to higher starts in two provinces—Ontario, which has had very strong housing markets for the past several years; and B.C., which experienced a modest recovery from the very weak markets that characterized the period since the mid-1990s. Housing starts in Quebec and Alberta also increased in 2001 over output from previous years. Housing starts remained steady or declined slightly in all Atlantic provinces between 1986 and 2001. With the exception of Saskatchewan, where housing starts have fallen steadily, starts in 2001 were higher in Western Canada (CHBA, 2001b; CMHC, 2002). Housing starts trends are largely dependent on rates of economic growth (lower in Atlantic Canada and Quebec and higher in Western Canada) and availability of employment and on resulting population migration.

There is a growing trend towards the purchase of resale homes. Resale buyers were expected to more than double the number of new homebuyers by the year 2000 (Angus Reid Group, 1995). Indeed, recent statistics show that there were 380,458 homes sold in 2001 (more than double the number of new housing starts) through the Multiple Listing Service® (MLS®). This is up from over 330,000 in 2000 and 252,000 in 1995 (special tabulations provided by CMHC). This shift will have an impact on patterns of spending on construction over time, as homeowners look to renovate homes they have purchased on the resale market.

The renovation industry has, since the 1970s, seen an upward trend in its business to the point that it now represents about half of all residential construction expenditures. During times of high interest rates and economic uncertainty, some owners will opt to renovate rather than buy a new home. Homeowners are the cornerstone of the renovation market (CMHC, 1995b).

The residential renovation industry is made up mostly of small businesses, with more than 80 per cent of companies run by owner-operators directly involved in all aspects of the business (CHBA, 1995). Compared with new housing spending, much less market volatility occurs with renovation spending (CMHC, 1995b). There are some regional differences in the types of renovation work carried out. For example, compared to firms in other parts of the country, Quebec companies derive a greater proportion of their revenues from repairs, maintenance and restoration work. B.C. companies derive more of their revenues from additions and conversions (CHBA, 1993).

One of the future research priorities in the renovation industry is to assess the impact of new technology on their work (CHBA, 1995). More effective means should be sought in transferring technical knowledge and practical skills to renovators and in communicating to homeowners the benefits of housing improvements such as energy efficiency and improved indoor air quality and ventilation (Reid/Foster Associates, 1997).

Overall, the number of units in the Canadian housing stock is increasing. This trend indicates a need for more, focused research in the area of housing maintenance and approaches to financing, both toward efficient and effective maintenance programs and strategies. Maintaining Canada's housing stock requires timely investment of funds for replacement of building elements and equipment. Regionally, the highest concentration of households reporting the need for major repairs is Atlantic Canada (Lampert, 1999b).

Research into issues associated with multi-unit residential buildings and high-rise buildings suggests that the longer the assumed life of the building, the higher must be the annual contribution to the replacement reserve fund which can then be used to finance the costs of replacing building components which have outlived their useful life (IBI Group, 2000b). As knowledge of building-element lifespans increases and the need for adequate funds becomes more clearly understood, a significant component of the value of older apartment buildings could be the size of their replacement reserve funds. Awareness of the condition of buildings is the first step in understanding the effort required to preserve multi-unit residential buildings, including both privately- and publicly-owned and -managed properties. The second step is to assess the cost to repair or renovate the properties, taking into account the effectiveness of different approaches. The third step is to secure the financing necessary to complete the work.

Some 85 per cent of the approximately 4 million rental housing units in Canada are private-sector owned. An evaluation of long-term trends in the rental housing market (Pomeroy et al., 1999) shows that the rental stock grew rapidly during the 1960s and 1970s, more moderately in the 1980s and even more slowly in the 1990s. Very little new rental housing has been built since the early 1990s because the potential returns from rental investment are not attractive (CHBA, 1999; Lampert, 1999b). Most of the increase in rental supply has come from other sources, including conversion of non-residential buildings to residential use and the development of secondary suites in single-detached houses.

Although vacancy rates increased slightly from 2001 to 2002 (1.1 per cent to 1.7 per cent) in Canada's 28 metropolitan centres, there are still some tight rental markets. In Montréal, Québec City, Gatineau and Kingston 2002 vacancy rates were below one per cent. In another eight metropolitan centres rates were between one per cent and two per cent. The rate exceeded three per cent in only five centres. Overall, vacancy rates fell in 11 of the 28 centres and rose in the other 17. (CMHC November, 2002). Although the Affordable Homes Program recently introduced will stimulate some new rental starts, rental markets are likely to remain tight for the foreseeable future (CHBA, 2001b). The Federation of Canadian Municipalities (FCM) predicts that the Canadian housing system will need 45,000 new rental units each year for the next 10 years to keep up with current demand and at least half of these will have to be affordable units (FCM, 2000).

According to investors, some of the perceived disadvantages of investing in rental housing include: the potential need for extensive capital upgrades, high property taxes and excessive government intervention (Pomeroy et al., 1999). In contrast with the relatively low levels of investment in new private rental projects in Canada during the 1990s, landlords undertake significant investments in repairs and renovations to their rental properties every year (Lampert, 1999b). For example, landlords spent almost $4 billion ($1,200 per unit) renovating and repairing private rental housing in 1995 (CMHC, 1995b).

Public housing is Canada's earliest form of social housing. According to its precise meaning, public housing should meet two criteria: it should be owned by a government or a government agency and rent paid on all units should be calculated according to household income. Public housing makes up almost one-third of Canada's social housing stock (Smith, 1995). It should also be noted that seniors occupy nearly half of the public housing stock, which in turn creates challenges related to a general lack of turnover of tenants and the aging-in-place of seniors.

The public housing supply in Canada is aging, as the majority of public housing stock was built before the 1990s. It may be in adequate physical condition at the moment, but major capital requirements loom, especially in the high-rise portfolio. The repair costs are expected to be associated primarily with specific elements of the buildings, such as cladding, windows, roofs, balconies and exposed structural elements. The cost of rehabilitation to deal with these concerns is significant (Sewell,1994). In order to address many of the problems and issues related to public housing, there is a need for further research and reforms that focus on the modernization of management systems to better track physical assets and changes in housing portfolios for the purpose of making better-informed decisions about renovation and rehabilitation options and the development of more appropriate organizational structures capable of rapid adaptation (Smith, 1995).

Over the past few decades, there have been significant achievements in housing construction. The "energy crisis" of the mid-1970s to mid-1980s prompted the development of air-leakage control, advanced framing for increased insulation levels, heat recovery ventilators (HRVs), high-performance windows and high-efficiency heating and lighting systems. The response to the energy crisis raised concerns in two other areas—indoor air quality and moisture-related deterioration (Scanada Consultants Ltd. et al., 2000). The most important energy-saving and environmental features sought by potential homeowners are more efficient windows and insulation (Angus Reid Group, 1995). Other areas of innovation included fire prevention (e.g., development and testing of lightweight, fire-resistant floor assemblies, improved sprinkler systems and positive pressure ventilation systems); noise control (e.g., better sound insulation of floors and walls); and infrastructure renewal (e.g., maintenance and repair guides for parking garages and guides for moisture management in exterior wall systems).

In addition, housing agencies and builders adopted successful approaches to construction in Northern and remote areas, emphasizing stable foundations and durable building envelopes. However, the state-of-the-art of Northern heating and ventilation systems did not significantly improve in the first part of the 1990s. Performance monitoring will be required to track long-term effects of innovations (Howell-Mayhew Engineering et al., 1996).

In the last 20 years, the manufactured housing industry has undergone significant change. It has shifted its emphasis from mobility to modular, permanent housing that in both style and appearance is often indistinguishable from comparable site-built homes. The advantages of prefabrication include increased energy efficiency, reduced construction waste and less overall building site damage. By 1994, Canadian manufactured housing producers, turning more to the production of multi-section homes, held a 17 per cent share of the new housing market. In order to further improve the quality of manufactured housing there is a need to promote and encourage assembly-line construction techniques (Pallergino, 2000). While a number of technical studies have been conducted with regards to construction specifications, shipping systems and local regulations for building codes for manufactured homes, fewer studies have addressed the socio-economic aspects of manufactured housing (Corbett, 2001; L. J. O'Riley & Associates, 1999). Friedman (1994) points to the following aspects of manufactured housing that could benefit from a more comprehensive and detailed investigation:

- Transportation and lifting considerations.
- Indirect cost saving associated with shorter construction periods, reduced material waste and better after-sale service.
- Marketing studies aimed at assessing the potential for specific types of prefabricated assemblies in the North American context.

As a result of many innovations, Canadian housing has become more energy-efficient, environmentally responsible, healthier for its occupants and more durable, while still remaining affordable to the majority (Scanada Consultants Ltd. et al., 2000). Despite these significant improvements, there remains a need to undertake sustained research quantifying the range and extent of the impacts of innovations on the housing industry and the overall quality of the housing stock in Canada.

2.5 Cost of housing

Falling mortgage rates have made it increasingly possible for more households to buy a home in recent years. Over the full 1986-2001 period, average new house prices went up 42 per cent—less than the 50 per cent rise in the Consumer Price Index (CPI) since 1986. Over the recent period of 1996-2001 there were only moderate increases in new house prices—an average of around two per cent annually for Canada as a whole, compared to a CPI increase of approximately three per cent annually (CMHC, 2002). The gain in purchase value for consumers may in part be at the expense of the builders, whose profit margins have become narrower. Research suggests that builders' labour and materials costs have increased much more than house prices (CHBA, 2001b). The Canadian Home Builders' Association (2001b) reports that while construction union wage rates (including supplements) increased by 52 per cent during the 1986-2000 period, lumber prices, an important part of house construction costs, were almost 60 per cent above their 1986 level.

Trends in housing prices are notoriously cyclical and differ greatly from one part of Canada to another. According to Statistics Canada, new house prices have increased in most major eastern Canadian markets over the period of 1999-2001, following relatively stable prices during the 1990-1998 period. Ottawa-Hull has been Canada's strongest market from 1999-2001, where house prices rose by almost 20 per cent. Strong growth was also seen in the Calgary and Edmonton housing markets due to strong local economies. Price increases in major eastern centres have been much more moderate. Montréal's new house prices rose by nine per cent between 1999 and 2001. Toronto (five per cent) has also experienced increased prices. After declining progressively since a peak in 1993, Vancouver's new house prices were levelling off and in 2001 were only slightly above the level of 1988 (CHBA, 2001b).

The share of the typical house price accounted for by building materials ranges from a low of 23 per cent in Surrey, B.C., to a high of 34 per cent in Atlantic centres. One reason behind the significant range in the material's share of the house price is land costs, which vary substantially across the country (Lampert and Denhez, 1997). According to the 29th semiannual Pulse Survey conducted by the Canadian Home Builders' Association in the winter of 2001/2002, concern over rising serviced-lot prices among new home builders is particularly evident in Atlantic Canada, Ontario and Alberta, but not considered a problem by those in Manitoba and Saskatchewan (CHBA, 2001b).

While it can be argued that houses, or more precisely the buildings themselves, have for some time been a good purchase value, over the 1981-2001 period other homeownership costs such as utilities, property taxes and insurance rose faster than inflation. For example, the cost of utilities has escalated since 1981 by 163 per cent, compared to general price inflation of 99 per cent. Further, the actual cost of homeownership is increased by the levies, fees, charges and taxes (totalling a substantial amount) collected by all levels of government on new homes. They account for over 20 per cent of the price of new homes in many major centres in Canada (CHBA,2001b).

According to the Federation of Canadian Municipalities (FCM) (2000), homeownership affordability became a bigger problem in the 1990s because real disposable incomes stagnated or declined, especially for lower-income households. A Canada Mortgage and Housing Corporation (2001a) study that explored the housing conditions of households reported by the 1996 Census of Canada confirmed that increases in shelter costs exceeded growth in incomes. Over the five-year period 1990-1995, average household income grew by six per cent but shelter costs increased by 11 per cent from 1991-1996 (CMHC, 2001a). During the 1990s, renters saw rent-price escalation greater than general inflation, leaving less income to save for purchase of a home. Further, over the period 1990-1995 tenants' average household income grew by only one per cent, but their shelter costs increased by 11 per cent (CMHC, 2001a).

Comparisons have been made between housing costs of owners and renters (Clayton Research Associates Ltd., 1992). Owners' shelter costs are greater than renters' for several years (typically 5 to 10 years) following the purchase of the home. However, over time, rents rise with inflation while the main component of owners' shelter costs (the mortgage payment) stays relatively constant (except when interest rates rise). A comparison of long-term trends in housing costs among homeowners and renters reveals that owners have significantly lower shelter costs than do renters.

The housing industry is concerned about the rising costs associated with the installation of infrastructure and services at the municipal level. Part of the cost increase, which is being borne more and more by the industry itself, is that there has been a withdrawal or reduction in financial support to municipalities from the federal and provincial governments. These sometimes include charges for 'soft services,' such as education and recreational facilities. Industry advocates are arguing that further obstacles to accessibility of homeownership are shortages of trades/labour and rising costs of materials. These are hindering growth potential in new housing sales (CHBA, 2001b).

Some researchers (Ley, Tutchener and Cunningham, 2001; Ley and Tutchener, 1999) argue that in larger Canadian urban centres, conventional regional and national factors, such as shifts in local economic climate and urban population growth, seem to have declining significance in accounting for price movements in housing, while such indicators as immigration, gentrification and increased goods and population mobility have stronger effects (Ley, Tutchener and Cunningham, 2001; Ley and Tutchener, 1999). Overall, however, the nature of the linkage between immigration and house prices remains elusive (Ley et al., 2001).

Fortin and Leclerc (2000) examined contentions made by demographer David Foot, who argues that as the Canadian population ages, the number of homebuyers is bound to decrease, causing the prices of residential real estate to drop substantially. Their study concludes that even if demographics exert downward pressure on real estate prices, such an impact will probably be dominant only in certain regions, namely the Atlantic provinces and Saskatchewan. They also conclude that it is not very likely that real housing prices will experience a decline. Fortin and Leclerc also argue that Canadian data still suffer from the absence of constant quality price indices. The average MLS® transaction prices then assume greater importance, provided that the quality bias they contain is accurately identified. Fortin and Leclerc suggest that there is a need to better understand and quantify the impact of the aging population (particularly of the growing number of households whose primary maintainer is over the age of 40 years) on housing demand, both in terms of volume and type. In addition they suggest that it would be useful to pursue work on the relationship between the population growth rate and the rate of new housing construction activity. This would allow for a better understanding of the housing market's adjustment mechanisms and thus, of long-term price determination.

2.6 Financing mechanisms

Since the 1950s, the Canadian government has facilitated the introduction of many innovations in the home financing area and homeownership programs (e.g., condominium ownership) by offering mortgage insurance and savings plans which lowered the risk to financial lenders (Fallis et al., 1995). Since the late 1960s, the number of homes and mortgages has grown significantly, with mortgages increasing from $50 billion in 1970 to close to $300 billion in 1989 in loans outstanding (Fortin and Leclerc, 2000).

In the 1990s, mortgage insurance systems were still increasing the prospects of homeownership and mitigating the risks of loan defaults for investors. Further, there was substantial government support for homeownership through, for example, the new housing GST rebate, the RRSP Home Buyer's Plan, the capital gains tax exemption on principal residence (although for many this is offset by the non-deductibility of mortgage interest) and low down payment mortgages. Some provinces also provide support for homeownership through initiatives such as reduced payments of land transfer taxes and programs to encourage prospective purchasers to save for a down payment.

According to Fortin and Leclerc (2000), the value of new mortgage loans follows closely the value of homes. The same study found a stable and significant relationship between the number of new loans and variations in interest rates. In fact, a rise of one percentage point in interest rates reduces the number of new mortgage loans by nearly 15 per cent in the first year. In addition, the number of people in the 25-34 age group has a very marked influence on the number of new loans. For example, between 1990 and 1998, the annual growth rate of the population aged 25-34 went from plus two per cent to minus two 2 per cent, bringing down the number of new loans by 17 per cent. The expected slowdown in demographic growth, especially among the 25-34 age group should bring about a significant reduction in total mortgage loans outstanding between 2000 and 2020.

Despite government support for homeownership, the producers of housing, who rely on commercial real estate lenders, were facing much greater difficulty in obtaining credit (CMHC, 1995b). The National Survey of Renovators conducted by Canadian Home Builders' Association (1993) revealed that it was at least moderately difficult to obtain financing from lending institutions for half of the renovators. In addition, full-time renovators had a more difficult time securing financing than part-time renovators. Gaining insight into the renovation industry sector, and especially into the financing of residential renovation, is one of the research priorities within the housing industry (CMHC, 1995b).

For the most part, governments have become a more passive party in the partnership of private and public interests that characterize the Canadian housing system. Recent public policy—supported by the private sector—has been not to use monetary policy to promote housing production or protect housing from periods of instability in the overall economy, but rather to allow market forces to prevail (CMHC, 1995b).

Kraus and Eberle (1998) argue that there is a relatively high level of interest and willingness among non-profit housing providers to undertake affordable housing projects without ongoing government subsidies. However, the capacity to undertake projects is mixed. While many groups have available resources (such as land and equity in projects), there is considerable need for better information on how to implement innovative approaches. There is also the need for expertise in project financing (Kraus and Eberle, 1998). Important work still needs to be done in examining the actual behaviour of non-profit housing agencies in order to identify which particular aspects of their operation allow them to provide accommodation (with all subsidies removed) at less than market rents (Ekos Research Associates, 1997).

2.7 Municipal infrastructure

Municipal infrastructure includes the massive networks of roads and transportation systems, sewer lines and treatment plants, water lines and delivery systems, electrical grids, phone lines and other essential operational facilities in cities. Graham (2000) notes that the infrastructures within cities are systems of interrelated networks that do not develop in isolation from each other but are connected in various ways, such as water and sewer networks or phone and electrical networks. This interconnection is vital in understanding the complexities of municipal infrastructure networks within cities and the related costs associated with expansion. The salient literature points to the emergence of more sustainable urban growth trends such as higher densities, limiting expansion through such measures as growth boundaries and other principles of smart growth, all designed to curb the high costs of expanding current infrastructure networks.

Generally, the discussion surrounding municipal infrastructure is focused on the cost of renewing aging, inner-city systems or the cost of servicing new peripheral locations. In either case, costs have been increasing and municipalities are grappling with ways to continue to finance upgrades and further expansion. This has resulted in many municipalities rethinking growth patterns and the types of developments being approved. According to Diamant (1995) "the state of municipal infrastructure across Canada has been an ongoing debate for the past twenty years. In the early eighties, the Canadian Federation of Municipalities undertook a study which concluded that $15 billion was needed immediately to bring the infrastructure in Canadian cities up to an acceptable level." Although the $15 billion figure is dated and the costs may now be higher, it nonetheless underscores the magnitude of the infrastructure issue in Canadian cities.

Ciscel (2001) provides a critical analysis of the impacts of urban growth trends by examining the costs associated with the continued outward expansion of modern cities. He notes that, for the most part, urban sprawl is considered the leading contributor to escalating infrastructure costs for municipalities. Continued urban sprawl has resulted in increased pressure for new infrastructure in peripheral locations at the expense of reinvestment in aging, inner-city infrastructure. A critical point for Ciscel is that the modern city has become inefficient and overly dispersed. Development, he suggests, simply focuses on suburban development because of the easier access to land, economies of scale in construction and preferences of homebuyers, at the expense of longer-term issues related to cost effectiveness. "Consequently, the new sprawled city is expensive, both in terms of investment capital and maintenance costs". He concludes that "growth brings a long-term condition of geographic diseconomies of scale, notably in commuting [roads] and infrastructure provision" (Ciscel, 2001).

Kim (1997) examines the link between housing market activity and the general economic health of a city. The cost of housing is closely tied to infrastructure expansion and "adequate financing for urban infrastructure is a prerequisite in ensuring that cities function effectively as the engines of growth" (Kim, 1997) and that they are in a position to provide affordable housing. Furthermore, Kim suggested that proper pricing of infrastructure and the development of new, environmentally sensitive systems (improved sewage treatment facilities, water saving options, etc.) can contribute to "enhancing the urban environment" (Kim, 1997). Reducing the cost of infrastructure and introducing more environmentally sensitive technologies related to sewer, water and transportation systems are strongly related to smart growth options.

CMHC (1995a), Hygeia Consulting Services (1997) and Richard Drdla Associates (1999) explored the potential benefits of different development approaches and the associated direct costs of infrastructure. As an example, CMHC (1995a) explored the cost savings that would be generated by using infill-housing programs to increase densities in the inner city, noting that the benefits of increased population concentrations are essential to achieve a more efficient infrastructure system. The report states that "filling vacant lots with *Sprout Houses* can gradually increase the population density of a municipality. That means more efficient use of a city's infrastructure and resources and a larger tax base" (CMHC, 1995a). The promotion of higher density is echoed in a 1997 report by Hygeia Consulting Services, which provided a detailed analysis of infrastructure costs from urban expansion. The report provided a detailed comparison of two projects by exploring the impacts of street configurations, density and urban form and engineering and development standards. The report contends that it is essential to consider these three areas when examining the cost and impacts of infrastructure and the best way to direct future development options. Richard Drdla Associates (1999) suggested options to achieve higher densities through various incentive programs, such as inclusionary zoning, mixed-use incentives and density bonuses. These programs, although generally directed towards the implementation of low-income housing, are effective in reducing the burden of municipal infrastructure costs through higher-density construction and other cost saving measures.

Municipal infrastructure expenditures have been escalating for the last few decades. In response to these increased costs, municipalities are placing more and more emphasis on innovative means of reducing both economic and environmental costs. Emphasis has been placed on development of more compact urban forms as a potential cost-savings mechanism. This trend is expected to continue in the future although greater emphasis is, and will continue to be, placed on technologies that result in more environmentally sensitive infrastructure systems. These trends will continue to influence both housing densities (dictating smaller lots and higher-density housing options) and internal housing systems, such as sewer and water (Roseland, 1998).

Regional variations will continue to play an important role in understanding and assessing future trends. The division between the "have and have not" cities will play a mitigating role in assessing whether or not local jurisdictions have adequate resources to meet demands. Older cities such as Winnipeg and Montréal face a tough challenge in balancing adequate funding for the renewal of older infrastructure systems in aging neighbourhoods, while simultaneously placing adequate resources in new peripheral locations. Problems will be exacerbated in slow-growth cities with eroding central-city tax bases. This point is of particular interest to slow-growth cities such as Winnipeg, where inner-city assessments have fallen dramatically in recent years. In more rapidly growing centres, such as Toronto and Calgary, pressure will be greatest in meeting the escalating demands for new investments in infrastructure for peripheral growth. These cities, however, will also face tough choices in balancing the new growth with the maintenance of existing systems. Regional differences will be evident and most likely defined on the basis of intensity of growth and the ability of the market values to generate the property taxes necessary to sustain continued expenditures for urban infrastructure expansion and renewal.

The discussion of municipal infrastructure must also acknowledge differences in rural and remote communities. There are often increased costs involved in the provision of basic services in many rural and remote communities, including water, sewer (if available) and other utilities and networks. The higher costs of maintenance often associated with the increased cost for the transportation of materials (especially to communities that use winter roads as primary links), may also present unique problems for these locations. Finally, climate and soil conditions (permafrost and drainage) will also generate differences in the type of technologies used and the cost of service to consumers in Northern and remote locations.

Overall, infrastructure has a significant impact on housing costs and the cost of home operation to the consumer.

2.8 Smart growth

The suburban expansion of the past few decades has resulted in cities facing a number of economic and environmental pressures associated with outward development. In response, many jurisdictions are rethinking the planning and management of urban growth. One such measure is smart growth, which encourages effective growth-management principles in an effort to ensure a more sustainable future.

In the past few years, smart growth has become more prevalent in the literature and is routinely associated with being a response to the years of continued outward expansion of cities. Continued expansion is seen as creating an unsustainable pattern of urban development, especially for rapidly growing centres. In an effort to better understand the meaning of smart growth, Benfield et al. (2001) provide a set of 10 basic principles of smart growth.

1. Mixed land use development
2. Preservation of open space, farmland, natural beauty and critical environmental areas
3. Compact neighbourhood design
4. Direct development toward existing communities
5. Creating a range of housing options and opportunities
6. Providing a variety of transportation options
7. Creating walkable communities
8. Making development decisions predictable, fair and cost-effective
9. Fostering distinctive, attractive communities with a strong sense of place
10. Encouraging community and stakeholder collaboration in development decisions

These principles are intended to act as a basic foundation for encouraging new forms of urban growth. Furthermore, the authors note that to understand these principles, it is essential to acknowledge that "a basic underpinning of smart growth is the acceptance that growth is inevitable" (Benfield et al: 6, 2001). Therefore, once growth is assumed as inevitable, strategies can be introduced to manage development while maintaining a healthy market.

The Canadian Urban Institute (CUI) offers a similar set of defining principles of smart growth, incorporating such characteristics as growth management, environmental sustainability, affordable housing, green space protection, clean air and water, heritage preservation, downtown and brownfield redevelopment, compact urban design, mixed-use zoning, development of parks and community gardens and incorporation of bicycle and pedestrian paths (Canadian Urban Institute, 2001). For both Benfield et al. and the Canadian Urban Institute, smart growth is viewed as a set of desirable planning attributes that cities should strive to incorporate. The great diversity in principles of smart growth poses problems for developing a common understanding of what constitutes a smart growth development.

The Canadian Urban Institute provides a key opinion of "smart growth" approaches used in the planning of cities. The Institute writes that "the term seems to act like a magnet for all kinds of proposals to make cities less dysfunctional, more livable and more economically competitive" (Canadian Urban Institute: 3, 2001). With respect to this comment, the authors note that "smart growth" has become a catch phrase used by a number of groups who have each added a new perspective, thereby making a single definition difficult. Furthermore, they note "the danger, of course, is that a vague term such as "smart growth" can be used to mean whatever a particular group wants it to mean and therefore can be used to justify almost any project" (Canadian Urban Institute: 4, 2001). Although the literature lacks a clear and unifying definition, there is general consensus on the important principles, such as those noted above.

Olson (2000) explored the connection between urban spatial growth and the need to reconsider how cities are planned. In essence, she contends that the trend of continued outward urban growth into peripheral regions has reached a saturation point in terms of its impact and cost to the environment. This is related to both the decline in the land available for future expansion and the environmental costs. The problems associated with sprawl have caused planners to shift attention back to focusing on a compact form of the city. For Olson, the ideal solution would be a "retrofitting of cities." This refers to creating compact urban forms based on higher densities and greater integration of activities (mixed use development). She further concludes that this process is a long-term objective and will take time for implementation. However, Olson contends that thinking 'smarter' about the management of urban growth is essential and without a change in planning philosophy, patterns of unsustainable growth will continue.

In response to the pressures associated with outward growth, many jurisdictions have adopted innovative responses for controlling future urban development. Knaap and Hopkins

(2001) discuss the use of smart growth measures as an innovative means of combating urban expansion and write, "urban growth management continues to evolve as a practice of planners and as an issue of popular concern" (Knaap and Hopkins: 314, 2001). One such control mechanism, cited by the authors, is the use of urban growth boundaries (UGB). A critical point made by the authors is that the control of urban development is a difficult tool to use and to define because, if spatial expansion is controlled by placing limits on growth through UGB or other means, this may impact the market in two distinct ways. First, if too much land is allocated within the growth management plan, this may contribute to further sprawl, yet on the other hand, if too little land is set aside for future growth, land prices may rise rapidly due to an under-supplied market, possibly resulting in increased housing costs and reduced affordability. This possibility emphasizes the need to develop smart growth mechanisms that are based on an understanding of the dynamic nature of urban growth and market conditions. Furthermore, this also means careful analysis of long-term trends is essential to achieving smart growth objectives that are sustainable.

Smart growth also entails the use of more environmentally conscious materials and building techniques. Tyler (2000), Benfield et al. (2001), CMHC (1994) and others highlight the need to raise awareness of both sustainable materials and methods of building houses and city infrastructure in an environmentally sustainable manner.

Effective incorporation of smart growth principles appears to be gaining momentum in urban planning. This trend bodes well for entrenching smart growth principles in more mainstream planning projects. However, the ability to enact smart growth policies may be dependent on the level of growth in a community. Cities most likely to implement smart growth principles will be rapidly growing "big cities," where pressure to manage growth will be more acute with continued market expansion. This is most likely to impact cities such as Toronto, Vancouver and Calgary. In these cities, high levels of activity and market pressure are more likely to stimulate innovative responses to rapid urban growth. Applying smart growth principles in smaller centres and slow-growth cities may be more difficult, given the limited demand for housing and higher risks associated with innovation in low-demand situations. In slow-growth cities, where market conditions are relatively stable, there is also less pressure to curb outward expansion or move to higher densities.

Future trends appear to support the use of smart growth policies but, again, there will be regional variation based on fluctuations in market conditions, consumer demand, consumer characteristics and political will. Furthermore, promoting such concepts as higher densities will require long-term and comprehensive planning approaches. The principles of smart growth will require the support of the building industry, but to ensure industry support, the profitability of smart growth must be clearly demonstrated. Short-term support from various levels of government to subsidize initial investments may be essential until the private sector is satisfied that the market conditions to make such developments profitable and self-sustaining are evident. Government support may be particularly important in slow-growth markets.

Smart growth principles can encourage the development of more innovative housing forms such as "live-work" housing (purpose built so the occupant can work out of an in-home office), smaller, high-density housing forms and eco-friendly housing and neighbourhoods. All of these options, however, will require a comprehensive marketing program to encourage skeptical consumers to change their preferences and attitudes towards housing types, sizes, residential densities and associated amenities, and allay their fears about possible price depreciation.

2.9 Market failure

Market failure is an imperfection in a price system that prevents an efficient allocation of resources. The primary contributing factor to market failure in housing markets is the lack of information. Some may also regard discrimination as a contributing factor to market failure. The usual end result of market failure is that some people may be denied access to housing of their choice, pay more than the real value of the housing they occupy or be forced to accept housing of poorer quality.

A general lack of equality in access to information about housing markets and housing properties can create market failures. When there is an unequal or inefficient exchange on the market caused by differences in information (or information asymmetry) between housing providers and housing consumers, the result is that consumers pay more for housing, or they purchase lower quality housing than they think they may be purchasing. For example, these outcomes can occur when sellers know much more about the property than the potential buyer and may charge much more than the property is truly worth. There may also be situations where consumers are not aware of suitable options in the market place. For example, households wishing to become owners may not be aware that they can qualify for financing because of a lack of knowledge of prices or the income necessary. To a large extent, CMHC is addressing consumer information needs through print and electronic publications, including:

- *Newcomer's Guide to Canadian Housing* —explains Canadian housing customs and practices and provides home rental and purchase information to new immigrants in simple language.
- *Homebuying Step by Step: A Consumer Guide and Workbook*—(provides instructions and worksheets which take a buyer through the entire process of home buying.
- *Residential Condominium Buyer's Guide*—provides people considering the purchase of new or existing condominiums with guidance on what to look for, affordability considerations, how to assess the condominium corporation's financial situation and physical condition and general information on condominium living.

- *Your Guide to Renting a Home*—an electronic guide accessible through CMHC's Web site, which provides a comprehensive overview of tenant and landlord rights and responsibilities and rental practices in all provinces and territories.

Housing market failure can also manifest itself through discrimination against certain population groups, such as immigrants (Chambon et al., 1997), Aboriginal residents (Spector et al., 1991), children from low-income households (Jackson and Roberts, 2001), female lone parents (CMHC, 2000b) and residents with health problems or disabilities (Schiff and Gnaedinger, 1997; Vlug, 1998; Weisberg, 1994). Instances of discrimination occur in both rental housing (Hulchanski, 1993) and homeownership (Mason, 1995). Individuals from the specific groups referenced above may be systematically denied access to housing of their choice, or charged significantly more for the housing they purchase or rent or be forced to rent housing that is in poor condition or is not suitable, given household characteristics.

One of the trends relating to the profile of housing consumers in Canada is an increase in the diversity of the consumers. This is largely a result of continuous immigration, particularly to the larger urban centres and to Toronto, Vancouver and Montreal more specifically. Discrimination on the basis of ethnic (Beavis, 1995), racial (Darden and Kamel, 2000) and gender characteristics are also important access issues (Mason, 1995).

Although Canadian researchers generally acknowledge that discrimination exists in housing, very little concrete evidence is provided. Fair housing audits, like those documented in the U.S. literature, would help to provide much-needed empirical verification of discrimination (Beavis, 1995).

2.10 Multiculturalism and housing variation

The increasingly multicultural nature of Canadian society gives rise to two issues in the housing market. The first is the fact that most new immigrants choose to reside in one of Toronto, Vancouver or Montreal, resulting in a greater concentration in these cities and much less ethnic diversity in almost all other types of communities, especially in rural communities and small towns. The second is that there are particular challenges facing immigrants when they arrive in Canada and choices they have with regard to their housing may be limited to specific geographic areas within large urban centres (Qadeer, 1997; Murdie and Teixeira, 2000).

Immigration during the 1990s was much higher than during the 1980s. After peaking at over 260,000 in 1993, immigration dropped to an average of 206,000 per year over the 1995-2000 period, before rebounding to 250,000 in 2001 (Citizenship and Immigration Canada, 2002) and declining by nine per cent to 228,575 in 2002 (Citizenship and Immigration Canada, 2003). Immigrant households account for about one in five Canadian households, based on 1996 Census data (CMHC, 2000c). The proportion (84 per cent) of immigrants located in Census Metropolitan Areas (CMAs) is much larger than the proportion of non-immigrants (58 per cent) in CMAs. Most immigrants (74 per cent of most-recent immigrants) initially settle in the largest CMAs such as Toronto (42 per cent), Montréal (15 per cent) and Vancouver (16 per cent). Only four per cent of the immigrants arriving in the 1991-1996 period (increasing to 14 per cent of the pre-1976 group) lived in rural areas, although these areas were home to 23 per cent of non-immigrants.

The tenure and the type of housing chosen by immigrants are associated with a variety of housing issues, but affordability is particularly important (Murdie and Lapointe Consulting Inc., 1996; Ley et al., 2001). Research results (Laryea, 1999) also show a wide variation in homeownership among immigrant groups depending on age, marital status, education, household type and period of immigration.

Overall, immigrants who have lived in the country for 15 or 20 years (CMHC, 2000c) are more likely to own homes than non-immigrants. According to various research studies, the period of time needed for the foreign-born population as a whole to attain the same rate of housing tenure as that of Canadians could range from eight to 20 years (Murdie and Lapointe, 1996; Laryea, 1999; CMHC, 2000c). Despite these high adaptation rates over time, newcomers to Canada are overwhelmingly dependent on rental housing, including social housing (Qadeer, 1997; Murdie and Lapointe Consulting Inc., 1996). Some 70 per cent of the most-recent (1991-1996) immigrant households are tenants, but only 24 per cent of the pre-1976 immigrants are tenants (CMHC, 2000c). In both the ownership and rental markets, immigrants in general, and more recent immigrants in particular, are less likely to occupy single-detached homes (Clayton Research Associates Ltd., 1994). Ownership rates are highest among immigrants of European or U.S.A. origin but very low for those of African or Caribbean origin. Asian immigrants have the highest probability of homeownership in Vancouver.

Immigrants may require larger housing units due to larger family size (Clayton Research Associates Ltd., 1994; Murdie and Lapointe, 1996). Members of many immigrant group prefer to live with, or nearby, extended family members (Beavis, 1995; Murdie and Lapointe, 1996). Neighbourhoods in proximity to schools with language classes and to appropriate religious associations and cultural institutions are also preferred (Qadeer, 1997). There is a need for more-focused studies to determine present and future housing needs of refugees and recent immigrants and to translate these needs into design guidelines (see CMHC, 1999).

Several research studies on black immigrants of various origins reveal that they tend to settle in neighbourhoods with higher proportions of their own group (Grant, 1996-7; Owusu, 1999). However, one study suggests some immigrants may possibly be steered away from predominantly white neighbourhoods by landlords requiring higher security deposits (Fong, 1997). According to Owusu (1999), Africans are the least researched of all immigrant groups in Canada. Typically, researchers either completely ignore or, at best, lump African and Caribbean immigrants together in one analytical category.

There is general agreement among Canadian researchers that urban ethnic residential segregation is a complex phenomenon that has not significantly declined over the past three decades, but should be considered as problematic only if it is involuntary (Beavis, 1995). Several recent studies (Owusu, 1999, Hiebert and Burnley, 2001) indicate that in the 1990s the suburbs have become the primary reception areas for new immigrants to Canada, compared to the earlier immigrant population trend to settle within inner-city areas. While business immigrants, mainly from various Asian countries, have moved directly into relatively high-priced, single-detached dwellings in affluent suburbs of large cities such as Toronto and Vancouver (Smart and Smart, 1994), refugees and other poor immigrants, mainly from developing countries, are forced by their financial circumstances into lower-rent and often low quality private sector apartments or into public housing (Murdie and Teixeira, 2000). In general, new immigrant groups from non-European countries continue to be more centrally located than those of European origin; however, the proportion of non-European minorities living in suburbs is rising more rapidly than that of the total population. While there is a continuing need to serve the social and economic needs of immigrants in the inner cities, increasing attention should be directed to issues of suburban immigrants (Hiebert and Burnley, 2001).

Qadeer (1997) asserts that the policy response to multiculturalism is still reactive and ad hoc. Darden and Kamel (2000) find a need for stronger policies and/or penalties to ensure equal access to the housing market and Laryea (1999) concludes that immigrants need assistance to own their own homes. There is also a need for adequate, data-based research that analyses the integration patterns of various categories of immigrants. This may be achieved by tracking the housing choices of the same group of immigrants over time (Clayton Research Associates Ltd., 1994). If the future selection policy is to lead to successful immigrant settlement and integration, the Legislative Review Advisory Group (CHBA, 1998) considers it key that these policies be based on the identification of factors that affect their success (or failure), programs that work (or do not) and the costs of settlement.

2.11 Income disparity

Since 1980, the distribution of income within Canadian society has become considerably more polarized. The rich got richer, the middle class declined and the poor got poorer and grew in numbers (Jackson et al., 2000). Lee (2000) has also illustrated that the polarization and poverty evident at the national level becomes even more pronounced in cities. His data illustrates that the population of metropolitan areas grew by just under seven per cent in the 1990 to 1995 period; however, the poor population grew by just under 34 per cent.

In Canada, income disparities can also be linked to regional, urban-rural, inter-urban and demographic differences. A recent report by Statistics Canada (2000) provides information on both regional and urban-rural differences based on research on rural and small town income disparities. The report examines whether rural areas are characterized by lower incomes than urban regions. The findings suggest that within each province, rural regions have lower average incomes than urban regions. The level of disparity in urban and rural incomes ranged from a high of $17,307 in British Columbia to a low of $11,483 in Newfoundland and Labrador. One of the key findings of the report was that the difference between rural and urban incomes is greatest in British Columbia, Nova Scotia and Manitoba and least in New Brunswick and Newfoundland and Labrador. A positive finding of the report was that the rural-urban gap has declined in all provinces except Newfoundland and Labrador. The most significant decreases were noted in provinces with above-average urban incomes (Ontario, Alberta, British Columbia).

Income disparity also exists between Northern and remote areas and centres in the southern regions of Canada. A report prepared for CMHC by the Institute of Urban Studies (1999) found that average family incomes are much lower in Northern and remote centres, while the incidences of poverty and unemployment are much higher there than in southern communities. These disparities are exacerbated by characteristics of the housing markets. Housing construction is often more expensive in Northern and remote communities due to expenses associated with building in permafrost locations and the cost of transporting materials.

Income disparities are also evident within cities, particularly those experiencing significant levels of inner-city decline. For example, Charette (1994), Silver (1999) and Lezubski *et al* (1999) noted that there are sharp contrasts and growing inequalities between inner-city and non-inner-city populations in terms of employment, education, income and housing affordability. Furthermore, these authors suggest that certain subgroups in the inner city, such as youths, single parents, Aboriginal people, visible minorities and recent immigrants, experience even more pronounced inequalities. A clear example of this disparity is highlighted by looking at inner-city and non-inner-city characteristics in Winnipeg. The average household income for the city of Winnipeg in 1996 was $44,933, while that of the inner city was significantly less, at $28,588. The incidence of low income is also substantially higher in the inner city, where it is 62 per cent, compared with 43 per cent outside of the inner city and 49 per cent for the city as a whole.[1] The United Way of Toronto (2000) notes a similar difference between affluent and non-affluent neighbourhoods in the City of Toronto.

A recent CCSD (2001) study detailing poverty rates in Canada's major urban areas illustrates differences in income among various demographic age cohorts, family structures and other characteristics of the population. The report is based on data from the 1996 Census and finds that there are substantial differences in rates of low income (based on Statistics Canada's Low -Income Cut-Offs, or LICO) within the Canadian population. Those most likely to experience low incomes include recent immigrants, visible minorities, single parents, Aboriginal people, people with disabilities and elderly women (Lee, 2000). Work by CMHC (1996) further highlights the income disparity that exists between the Aboriginal and non-Aboriginal population. The incomes of Aboriginal people substantially lag behind those of non-Aboriginal people. In 1991, the average income for individuals 15 years of age and over was $14,561 for Aboriginals and $24,212 for non-Aboriginals. Furthermore, between 1980 and 1990, the average individual income for non-Aboriginals increased by 4.3 per cent, while the average for Aboriginals declined by nearly five per cent. These differences in income result in significant disparities in quality of life, such as the ability to access adequate affordable housing (Clatworthy 2000). Core-need figures published by Statistics Canada and CMHC (1996) confirm this disparity in housing as the proportion of non-farm, non-native households in core-housing need was 17.6 per cent, compared to 31.6 per cent of non-farm, Aboriginal, off-reserve households.

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[1] Data accessed on the City of Winnipeg Web page March 28, 2002. http://www.city.winnipeg.mb.ca/census1996/

A second report by the CCSD (1997) highlighted the fact that when labour market conditions were compared for 1984 and 1994, low-income families were found to be less successful (in terms of employment and wages earned) in the labour market in 1994. Changes in economic structure have created more difficult income situations for those in the lowest income categories. Those most affected by changes in the economy were families headed by young adults (under the age of 35) and single parents. These findings are similar to those of Lochhead and Shalla (1996), who found that over the previous two decades, the Canadian labour market experienced an increase in non-standard and precarious jobs and chronically high levels of unemployment and poverty. In fact, the authors noted that the decline in middle-income-earners was a pressing problem and one that contributed to increased disparities. They contend that the disappearance of the middle class will continue to put more families in a precarious position. This, in turn, will leave an ever-increasing number of children with a less-certain future. Furthermore, research has shown that today's labour market is producing greater inequality among families with children than it did a decade ago, with especially severe income losses among lower-middle-income earners and the poor. Government income transfers, a critical source of support for middle- and lower-middle-income families, have not been sufficient to compensate for declines in earnings (Lochhead and Shalla, 1996).

Canadian demographic trends are also having an effect on the level of income disparity within certain sectors in society because there is a strong relationship between income and household type. There has been a significant increase in the number of single-person households, from nine per cent of all households in 1961 to just over 25 per cent in 2001 (Statistics Canada, 1961 and 1996, Nation Series). Furthermore, the number of non-family households (people living alone or with other unrelated individuals) has grown more rapidly than the number of family households. In the period 1961 to 2001, non-family households increased from 13 per cent to 28 per cent of all households. Single person and non-family households are more likely to be found in the lowest income groups.

In the future, income disparities will remain prevalent in urban areas. Single-parent families (which have increased from 9.5 per cent to 16 per cent of all family households in the period 1971 to 2001), single individuals, Aboriginals and recent immigrants will be particularly affected. Contributing factors will continue to be structural changes in the labour force, which continue to erode economic options in certain sectors of the economy, affecting wage and unemployment levels. Inner-city and non-inner-city neighbourhoods will continue to display significant differences. Rural-urban differences and regional differences between the remote and Northern and more southerly communities are also expected to continue.

2.12 Rental markets and rental investment

Over the last two decades, the Canadian rental market has been in a state of reorganization characterized by an overall decline in the numbers of new and affordable units being constructed. Pomeroy et al., (1999) examined these changes from a global perspective and found that in most countries, the percentage of private rental units comprises only a small percentage of the total housing universe. In fact, in countries like the United Kingdom, the percentage of private rental units has declined from 50 to 60 per cent in 1950 to a mere 12 per cent (Pomeroy et al., 1999). For many countries, the change in the rental stock can be accounted for by an expansion in the level of homeownership. The authors concluded that the shift to homeownership has resulted in the rental market becoming more polarized, with low-income households most likely to comprise the rental population. It was also noted that the rate of return for rental units does not offer enough incentive to attract capital investment to levels necessary to build affordable housing options (Pomeroy et al., 1999). When one compares the rate of return available to investors through other means, such as stocks and mutual funds, investments in rental housing for profit generation become more difficult to justify.

In the Canadian context, Clayton Research (2000) provided similar findings when examining the rental market in Ontario. New construction in rental projects has been declining since the 1970s and investment in the construction of new units by government has also declined significantly. This has created problems in the province of Ontario as rents for the existing stock have increased, as has demand, yet the financial viability of building new units cannot be sustained through current rent levels—especially for lower income households. This has resulted in capital seeking out other, more viable investment options in more recent years (Clayton Research 2000).

The gap between the cost of new construction and potential rental revenue is critical in understanding the current problems facing the rental-housing sector. For the most part, the response has been to look to government for assistance. This has resulted in three types of strategies: tax measures, subsidy measures and facilitative measures aimed at supporting new rental market initiatives (Pomeroy et al., 1999). The shortage of rental housing is also discussed by the Federation of Canadian Municipalities (1999), which links the rise in homelessness and households living in inadequate rental units to the lack of new rental units. The FCM report concurs with other findings, noting that although demand is rising, new construction for affordable units is not keeping pace (FCM, 1999). FCM estimates that "Canada will need 45,000 new rental units each year for the next 10 years just to keep up with current demand; at least half of these will have to be affordable units. At the same time, construction of new rental units has plummeted from 25,000 to fewer than 8,400 per year in the last decade. Demolition and conversion eats away at the affordable rental stock, while many affordable houses crumble" (FCM, 1999).

Sloan and Stewart (1998) and the Ontario Non-Profit Association (ONPHA) (1999) point to unique problems associated with the construction of new rental units. Sloan notes that in the case of Winnipeg, a slow-growth city, the failure to build new and affordable units has caused rents to increase. The authors also suggest that there may be a link between food bank use and the inability of many renters to meet shelter costs because of increased rents (Sloan et al, 1997). ONPHA points to a similar situation in Ontario, where rents have risen in fast-growing cities like Toronto, but market pressure has not been relieved through new construction (ONPHA, 1999). In both cases, the market has been unable to respond to the demands for new rental units.

One of the greatest impacts on the availability of affordable rental choices will be Canada's overall vacancy rates. According to CMHC, the national vacancy rates for Canada's metropolitan areas remained below two per cent in 2001. In cities like Toronto, the rate was less than one per cent for many years. These tight market conditions have put significant pressure on the market, pushing up rents. Limited supply has also resulted in a lack of options for those seeking affordable units. It is important to note, however, that supply does vary by type of unit. For example, in 2000, Statistics Canada figures indicated that the vacancy rate was 21.3 per cent for single-detached houses that were classified as part of the rental market, versus two per cent for apartment structures as indicated in the CMHC Rental Survey. Single-detached homes, although they may not be as affordable as apartments on average, were certainly more readily available on a national basis. Overall, however, the decline in vacancy rates has resulted from increased demand for rental housing. This demand has not been stimulating an increase in the construction of new units, especially affordable ones as has already been indicated. According to The **Fair Rental Policy Organization of Ontario (FRPO), "the basic problem with the rental supply is that it is not profitable for the private sector to build and manage new affordable rental housing. Investors cannot get an adequate return on their money. There may be interest in high-end rental in some markets, but this is not the case for modest rental housing. The rates of return are not competitive with other housing investments and other investments in general."**[2] In centres experiencing tight rental markets, the reliance on non-traditional housing options, such as housing conversions and secondary suites, has increased. Pressure in the rental-housing sector can be expected to increase in rapidly growing cities.

Demographic trends will also undoubtedly affect the demand for rental housing. One of the most significant trends will be the increase in population of those 65 years and older (CMHC, 1989, 1996; Statistics Canada, 2001). By the middle of this century, it is estimated that more than a quarter of Canada's population will be 65 years or older, compared to the current 12 per cent (Statistics Canada, 1996). This will have important implications for the rental market, as pressure for more housing options for seniors will deplete market availability of affordable and subsidized units.

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[2] CMHC Web page accessed March 28, 2002.
http://www.cmhc-schl.gc.ca/en/News/spba/naapsh2001.cfm

The increasing number of non-traditional households (lone parents, childless couples, elderly couples, young singles and elderly singles) will also create a greater demand for rental housing. The number of single-person households grew to 25 per cent of the population in 2001 and the number of lone-parent families has increased 175 per cent since 1971 (Statistics Canada, 1971 and 2001). By contrast, only modest growth is expected among traditional families of husband, wife and children. The rental market will be greatly affected by these demographic changes.

Changes to the labour force will also have consequences for the rental market. If employment growth and economic conditions remain stable, the ability of households to afford rental units should remain constant. However, economic downturns and economic restructuring could result in more people seeking affordable rental options. Given the tight rental market conditions of today, volatility in the economy can intensify the affordable housing shortage.

Trends in rental construction, demographic and household trends and the urban rental market circumstances point to a number of alarming developments. The gap between market rents (or the rents necessary to make investment in rental construction viable) and the rents that low-income households can afford are expected to continue to widen. Limited choice and the inability of the private sector to meet rental demand without government assistance will continue to be an issue in all cities, but is of particular concern in fast-growth cities like Toronto, where the vacancy rate has dipped below two per cent. Despite the high demand in most cities across the country, building new units for affordable housing will continue to present challenges as current market rents are not sufficient for buildings to be economically sustainable.

Trends in the rental sector do not illustrate significant regional differences, however, the impact of trends may be different, depending on the region. For example, housing choice in the rental sector is even more limited in many smaller rural and remote communities because of the small size of the inventory. The gap between the rents necessary to stimulate rental construction and what households can afford to pay is even wider. There are two major reasons for this wider gap: incomes of households seeking rental accommodation are often lower in rural and remote communities; and, the cost of providing rental accommodation is often higher, particularly in remote communities where construction costs reflect higher transportation costs for materials. This limits the ability of the private sector to provide affordable rental accommodation in smaller rural and remote communities for most households likely to rent to an even greater extent than is true of larger urban centres. Households that rent in these smaller rural and remote communities are even more dependent on units provided with government assistance or on older private rental stock that is often of poorer quality.

Summary

This section has provided a summary of the trends and issues affecting housing and consumer markets and has provided some initial ideas on potential research priorities based on suggestions from the literature. Section 3 examines the most important trends and issues affecting each of the five submarkets identified as the framework for analysing variation across Canada.

Section 3 Analysis of submarket differences in Canada

In this section we provide a brief summary of the major trends and issues affecting each of the five housing submarkets, as outlined in section one of this report:

1. High-growth metropolitan centres
2. Slow-growth metropolitan centres
3. Small town Canada
4. Rural communities
5. The North

Within each section we briefly list and describe the trends and issues that are specific to each of the five submarkets. These are drawn directly from the more lengthy summaries of the literature provided in Section 2 and are grouped by topic area for each submarket.

Understanding the trends and issues within this context helps to inform the assessment of and discussion about potential future research priorities. Some of the issues and trends, such as continued high levels of immigration to high-growth metropolitan areas, are very specific to only one or two submarkets. These may have a very large impact in those submarkets and may thus be considered as a potential priority research question. Other issues and trends, such as the aging of our population for example, affect most or all of the submarkets, even though the types of impacts in each submarket may vary. These types of trends and issues affecting several submarkets are likely to be of greater importance in terms of developing potential research questions to better understand the housing outcomes they produce.

Taken as a whole, there will be some commonalities from one submarket to another, but there are enough differences to warrant a discussion of the trends within each of these five submarkets. The literature provides such a rich knowledge base and illustrates so much diversity from one submarket to the next that this richness and diversity is difficult to summarize in a few pages or even in graphic form. The discussion that follows focuses on some of the key trends and issues in each submarket.

3.1 High-growth metropolitan centres

This submarket generally includes many of the Census Metropolitan Areas (CMA), whose urban core populations are at least 100,000 (e.g., Toronto, Vancouver, Calgary, Ottawa-Hull and Victoria). Many of the CMAs experience high rates of population growth compared to other smaller urban centres. These communities have a reasonably robust economy (with access to markets, a large workforce with a variety of skills, investment capital for business starts and expansions) and generally tend to be a destination for new migrants (both international and domestic). This submarket also includes the more dynamic, larger Census

Agglomerations (CA), whose urban core populations are at least 10,000 (e.g., Moncton, Barrie and Brandon), where higher rates of population growth are more prevalent, driven in part by favourable location and the presence of sufficient capital for economic development. Collectively, these places also tend to serve as important service centres for a variety of public services, including government services, health care, post-secondary education and much more.

Macro-economic factors

- Population in-migration, growing job markets, increased housing demand (especially in Ontario and Alberta).
- Record low interest rates in 2000-2002 contributed to increased housing activity.
- Improved homeownership affordability due to lower interest rates and relatively stable house prices in most markets, but purchasing a first home continues to be difficult for many people in high-growth centres.

Demographic changes

- The destination for international and internal migrants continues to be largest CMAs; immigration of younger individuals and families results in higher household formation and housing demand.
- Growth in suburban and fringe areas is continuing.
- CMA's will continue to be major focus of population growth.
- Growth will be strongest in non-traditional households, increasing demand for rental accommodation, new equity investment tenure options and new design options for smaller households.
- Continued increase in demographic groups that require affordable housing options (single parents, Aboriginal people and new, low-income migrants).

Labour force changes

- Information technology sectors (the new economy) will contribute to job growth in some cities; these high-income positions will generate demand for high-end-of-the-market housing.
- Location decisions of "knowledge workers" will impact housing demand distribution.
- Central city location of such jobs (especially in cities such as Edmonton, Saskatoon, Winnipeg and Montréal) will generate demand for inner city housing.
- Polarization of labour force (good jobs, bad jobs) will also generate demand for more affordable housing, particularly in the rental sector.

Housing construction and renovation

- New housing starts continue to remain relatively high.
- Housing starts in Western CMAs (except in Saskatchewan) are steadily increasing.
- Lifestyle and gated communities are growing.
- There is a need for extensive renovation and upgrading of the rental stock.

Cost of housing

- Strong housing markets are defined by steadily increasing housing prices (Ottawa-Hull, Calgary, Edmonton).
- Prices of serviced lots are rising (Ontario, Alberta).
- Higher prices for labour and materials may be offset by lower costs of new technology used for production purposes.
- Partnerships providing affordable housing are expected to increase (multi-party funding approaches).

Financing mechanisms

- With aging of the population and the increasing number of empty nesters and seniors with equity, there will be an increase in demand for equity investment tenure options.
- With an aging society there will also be a need for financial mechanisms that allow people to remain in their own homes and access services, pay for maintenance and home care.

Municipal infrastructure

- There is a need for extensive investment in upgrading of existing infrastructure; funding this upgrade may increase the cost of housing through the property tax base, development charges, etc.
- There will be a cost associated with moving toward more environmentally sensitive infrastructure (water, sewage upgrades, etc.).

Smart growth

- "Smart Growth" has not yet been entrenched in general planning and development approaches; tends to be project specific.
- The focus of most smart growth activity is in higher-growth urban areas.
- There will be a continued trend toward smart growth in the future to address environmental concerns, reduce the cost of sprawl and address infrastructure changes and costs.
- The risk-averse nature of the private sector with respect to new initiatives may require public funding to initiate smart growth development.

- There is a move towards higher density forms of housing, including mixed-use developments.
- Consumer skepticism and municipal reluctance to get involved in smart growth initiatives will have to be addressed by research and marketing.

Market failure

- Greater diversity of housing consumers (e.g., immigrants and refugees, seniors with new needs) will continue, with more consumers needing information about housing markets and choices.
- Greater diversity of housing options (e.g., life-lease, condo/strata title, gated communities with their own by-laws), for which consumers often have little or no information available to them about the existence and operation of these options.
- Potential for discrimination in large urban housing markets that attract large numbers of immigrants.

Multiculturalism and housing variation

- 74 per cent of new immigrants initially settle in the largest CMAs — Toronto, Vancouver and Montreal.
- Business immigrants move primarily into largest CMAs.
- Increasing ethnic diversity generates demand for new design options.

Income disparity

- Aboriginal people with significantly lower incomes will migrate to major urban centres in search of employment opportunities.
- These trends will generate growth in both lower- and higher-income groups with declining portion of middle class.
- Housing market will also become more polarized: demand will increase for both high-end housing and more-affordable housing.
- Private sector may have difficulty responding to affordable housing needs without public support.
- Income disparity has gender, ethnic and household-type correlations (e.g., female single parents, migrants, Aboriginals, the disabled and others fall further behind).

Rental markets

- Demand is increasing for rental housing based on aging of population, growth in smaller, non-traditional households and immigration.
- Demand is increasing for affordable rental accommodation related to demographic and labour force changes.

- The cost of rental housing production is sufficiently high that market rents charged are higher than what many lower-income households can afford to pay, which will make it difficult for private sector to supply affordable rental housing to this group.
- The aging of the existing rental stock will require extensive investment in renovations upgrading.
- The lack of investment in new rental housing is driven by higher returns from other forms of investment, limitations imposed by some regulations in some cities and uncertainty associated with potential new programs and incentives to stimulate affordable rental housing construction.

3.2 Slow-growth metropolitan centres

The communities in this submarket generally have slower population growth rates and are not as attractive destinations for migrants and immigrants because they have less stable economies. In addition, many (but not all) of these communities would have traditionally relied on the economic activity associated with natural resource development and processing, which has experienced a long period of labour force reductions and continued changes in global market demand and prices. These include the CMA and CA urban communities in most of Atlantic Canada (Sydney, Saint John), as well as parts of Quebec (Chicoutimi-Jonquiere), Northern Ontario (Sault Ste. Marie), the Prairies (Moose Jaw) and British Columbia (Prince George). Another common feature of these places is that many have relatively fewer public and social services relative to the high-growth urban centres, or are experiencing some type of difficulty providing full access to such services (for example, a shortage of doctors or medical professionals). Some of the communities in this category would be retirement communities as well.

Macro-economic factors

- Declining job markets, population out-migration and relative decline in personal disposable income decreases housing demand (especially in Quebec, Atlantic Canada).

Demographic changes

- Population aging is more pronounced, as these centres are not significant destination points of younger migrants.
- Slow-growth metropolitan centres experience many of the same trends as high-growth areas but with reduced intensity.
- Some centres affected by out-migration of younger people seeking job opportunities in high-growth urban centres.
- Many such centres are focus for retiring seniors (from even smaller centres).

Labour force changes

- Overall, more modest growth expected in high-end tertiary and quaternary (new economy) jobs.
- Some centres affected by declining jobs in manufacturing sector.
- Workforce has more limited skills.

Housing construction and renovation

- New housing starts continue to be below historical levels (Quebec) and remain steady (Prairies) or steadily decline (Atlantic provinces).
- The highest concentration of households reporting the need for major repairs is Atlantic Canada.
- There is a need for extensive renovation and upgrading as the stock ages (on average) more rapidly with fewer new starts.

Cost of housing

- Higher costs of building materials increase the relative material share of the house price (Atlantic Canada).
- Price of serviced lots is rising (Atlantic Canada).
- Decreasing numbers of new, young homebuyers will moderate new home market and resale market prices (especially in Atlantic Canada, Saskatchewan and Manitoba).
- Energy efficiency upgrading may increase housing prices.

Financing mechanisms

- Equity-conversion options for empty nesters and seniors will be important.
- Partnerships to produce affordable housing will increase (multi-party funding approaches).

Municipal infrastructure

- There is a need for extensive investment in upgrading of existing infrastructure. Funding this upgrade may increase the cost of housing through the property tax base, development charges, etc.
- There will be a cost associated with moving toward more environmentally sensitive infrastructure (water, sewage upgrades, etc.).

Smart growth

- Reduced demand and smaller scale of development may mean less emphasis on smart growth initiatives in these centres.
- The need to address environmental concerns will increase pressure to introduce smart growth.

Market failure

- Potential for discrimination in housing markets for the relatively small number of immigrants who arrive in these centres.

Multiculturalism and housing variation

- Less ethnic diversity than in high-growth centres means less demand for rental housing.
- Concentration of Aboriginal households resulting in increasing demand for affordable housing.

Income disparity

- More modest cost of housing in these centres will moderate effects of labour force characteristics and associated lower incomes.
- Continued demand for affordable housing by lower-income households will be a feature of the market in these centres.

Rental markets

- Demographic, labour force and income disparity trends will combine to generate demand for affordable rental accommodation.
- The gap between rents required to justify rental investment and what households can pay will be significant.
- Aging rental stock needs significant renovation and upgrading.

3.3 Small-town Canada

While there is significant variation within this category (especially when comparing small towns close to large urban centres with those located much farther away), this housing submarket includes most of the urban centres of more than 1,000 and less than 10,000 population. It does not include small towns in remote parts of provinces or in the North. Generally speaking, small towns have slow or negative population growth (unless they are located close to large urban centres experiencing population growth), youth out-migration, an older population and decaying infrastructure. In addition, small towns are challenged by the fact that they have development challenges associated with a smaller labour force (making it more difficult to meet the labour force needs of expanding businesses or businesses interested in relocating), fewer housing choices for residents and a limited range of public and social services (many of which may need to be accessed in larger urban centres).

Macro-economic factors

- Declining job markets, population out-migration and steadily declining personal disposable income decreases effective housing demand (Quebec, Atlantic Canada, Prairies).

- Continued concentration of business and industry (especially agriculture) into fewer but larger economic or business units and in fewer, more centralized locations.

Demographic change

- Many centres (Atlantic Canada and the Prairies) are experiencing out-migration and population decline; others are characterized by modest growth.
- Young families and young individuals are most common out-migrants.
- Small towns are characterized by population aging and a growing proportion of seniors; communities with health care services become retirement centres.
- The limited demand for housing is generated by seniors, some young professionals and low-income families and individuals.
- There is a shortage of affordable rental housing in many centres.

Labour force changes

- Job opportunities are declining.
- The existing growth is often in the low-wage, service sector.
- Many jobs are, and will continue to be, seasonal.

Housing construction and renovation

- The highest concentration of households reporting the need for major repairs is in Atlantic Canada.
- The aging housing stock is in need of energy conservation upgrades and general improvements.
- Manufactured housing (especially "ready-to-move" and mini-homes) is an important component of the housing stock in some areas.

Cost of housing

- There is lack of equity appreciation; resale value of houses may be lower than cost of construction in some centres (building costs rise but resale markets remain flat or decline).
- Land costs are more modest than in larger centres, but other construction costs may be as high or higher.

Financing mechanisms

- In some centres there is a demand for equity conversion options for an aging population.
- There is need for flexible financing options to produce affordable rental housing.

Municipal infrastructure

- There will be on-going need to upgrade aging sewer and water treatment facilities.
- The local tax base in most communities cannot adequately fund necessary upgrades.
- There is need to move toward more environmentally sensitive types of infrastructure.

Smart growth

- The limited growth in most communities reduces the importance of smart growth initiatives.
- The limited demand reduces potential to introduce and/or finance such initiatives.
- Small town centres grapple with lack of growth issues as opposed to type of growth.

Market failure

- There is a general lack of market information about housing markets (e.g., average MLS® sales volume and values, average rents, vacancy rates, trends in starts and completion) to assist consumers making housing choices.
- In some small towns where new housing options (e.g., life leases, condominiums) are being introduced, consumers lack information and education about how they operate.
- Lack of activity by major builders and limited numbers of lenders removes a source of information that is available in larger communities, so there is a greater need for public agencies to provide information to consumers related to considerations associated with home purchase and rental options.
- Limited housing choices or availability in most small towns may lead to discrimination for the small number of immigrants who may seek to live in small towns.

Multiculturalism and housing variation

- Minimal issues related to multiculturalism and housing variation as immigrant populations are not as prevalent in most small towns.
- Some small towns have a high proportion of Aboriginal people.

Income disparity

- The high proportion of low-wage jobs, seasonal work and limited numbers of professional positions will continue to keep average incomes low in small towns.

- There is limited flexibility to absorb housing cost increases or pay the rents necessary to make investment in rental housing viable.
- There are significant income differences between incomes of professionals (health care for example) and other labour force types in small towns.

Rental markets

- There is modest demand for affordable rental housing but gap between rents required to stimulate investment and what households can afford to pay is significant.
- The limited demand also increases risk involved in residential rental investment.

3.4 Rural communities

This submarket includes unincorporated and incorporated centres of less than 1,000 population. Again, there is significant variation within this category (e.g., there are differences between communities located reasonably close to large urban centres and those that are much further away). While many of the characteristics are similar to those pf the smaller small towns noted above, these communities are also characterized by a lack of land use planning, housing markets with limited or no demand, more dispersed and less dense settlement patterns and other demographic and economic challenges such as population loss and closure of businesses and associated job losses that reduce the demand for housing.

Macro-economic factors

- The housing market in communities with export-oriented or primary sector economic activity is influenced by and fluctuates with changes in the global economy.

Demographic change

- Most rural areas (particularly Atlantic Canada and the Prairies) are characterized by population decline, an aging population and age-specific migration (younger people) from rural areas.
- Demographic change will result in housing disinvestment as opposed to investment.
- Rural First Nations Reserves illustrate a substantially different demographic profile: a younger population, significant population growth and household formation and high demand for housing.

Labour force changes

- Job opportunities are declining as primary sector (particularly agriculture) mechanizes and modernizes.
- Many jobs are seasonal.

- Wages are relatively low.

Housing construction and renovation

- The highest concentration of households reporting the need for major repairs is in Atlantic Canada.
- Housing stock is being abandoned as population declines, especially in resource-based economies (e.g., farm amalgamations or sales; outport fishing communities close; mining resource exhaustion).
- There is evidence of self-build housing in some areas and increased use of modest manufactured housing (especially "ready-to-moves" and mini-homes) in other areas.

Cost of housing

- There is no growth in value of homes on resale market.
- The cost of new housing construction rises with new energy and servicing standards.

Financing mechanisms

- There are some problems obtaining mortgage funds and mortgage insurance for new home construction on farms.

Municipal infrastructure

- Rural municipalities are faced with upgrading of municipal roads and waste disposal facilities.
- Funding is a problem.
- Planning for solid waste disposal, water treatment and sewage treatment must address new environmental regulations.

Smart growth

- Smart growth is not an issue in rural areas.

Market failure

- Lack of activity by major builders and limited numbers of lenders removes a source of information that is available in larger communities, so there is a greater need for public agencies to provide information to consumers related to considerations associated with home purchase and rental options.

Multiculturalism and housing variation

- Only four per cent of most recent immigrants settle in rural areas, so there is limited impact of immigration on rural areas.

Income disparity

- Income is very low for seasonal workers and Aboriginals on-reserve.

- Incomes are declining in some resource-based communities, especially in agriculture.

Rental market

- Affordable, adequate accommodation for seasonal farm workers is an issue in fruit and specialty crop areas.

3.5 The North

This submarket covers the three Northern territories and the Northern parts of most provinces (i.e., Labrador, Northern Quebec, parts of Northern Ontario, northern Prairies and northern British Columbia). Generally speaking there are infrastructure and housing construction challenges associated with building in a cold climate. While population centres are few, dispersed and small, the fastest growing population in Canada can be found in many Northern communities: the Aboriginal population. Northern communities that serve as administrative centres may offer a wider range of social, public and economic services than smaller and more isolated settlements.

Macro-economic factors

- Some resource-based centres are dependent on global markets.
- Most communities are isolated or peripheral with a limited economic base.

Demographic change

- Demographic change illustrates a bi-modal pattern. There are higher growth rates, younger population, larger families and higher household formation rates among Aboriginal peoples. There are much lower growth rates and modest household formation for non-Aboriginal people.
- There is out-migration to southern, larger urban centres.
- Aboriginal settlements are experiencing high levels of housing demand.
- There is significant growth in low-income, single parent and two- parent family households.
- There is evidence emerging of a growing number of seniors.

Labour force changes

- There are limited job opportunities and very limited job growth in most communities.
- The job opportunities will reflect the economic strength of the primary sector: mining, forestry, etc. and growth in tourism.
- There are bi-modal labour force characteristics with better-than-average salaries in medical, education and high tech and management positions in

the primary sector. There are low-wage, seasonal jobs in service and unskilled primary sector positions.

- Some centre's labour forces have high concentrations in the government services sector.

Housing construction and renovation

- A limited labour pool and dependence on shipment of construction materials continue to drive up prices.
- New technologies for building in the North change housing development patterns.
- There is a high need for renovation as larger households and climatic conditions cause more rapid deterioration of the housing stock.

Cost of housing

- Costs continue to rise based on labour and materials.
- There is little or non-existent market-value appreciation.

Financing mechanisms

- Innovative financing options are needed to produce affordable family and rental housing.

Municipal infrastructure

- Investment is required in more energy efficient and environmentally sensitive options.

Smart growth

- Housing design and construction and settlement planning in general are moving toward more environmentally appropriate and cost effective forms.

Market failure

- Lack of activity by major builders and limited numbers of lenders remove a source of information that is available in larger communities, so there is a greater need for public agencies to provide information to consumers related to considerations associated with home purchase and rental options.

Multiculturalism and housing variation

- There is continued need for more culturally sensitive housing design and housing components (systems) in the North.

Income disparity

- Income disparity is generally related to Aboriginal (lower incomes) versus non-Aboriginal (higher incomes) differences in income.

Rental markets

- There is growing demand for rental accommodation for families, individuals and in some centres employees (transient) in professional positions (teachers, nurses, law enforcement).
- The market gap is a serious disincentive to private investment. Public subsidies are necessary to stimulate more rental construction.
- There will be a need for more seniors rental housing as the population ages and the extended family tradition weakens (thereby reducing family care of elders).

Summary

This section has provided a summary of the trends and issues affecting housing and consumer markets for each of the five submarkets. This approach provides a summary of the trends in each submarket and commentary on the affect the trend has on housing and consumer markets. Section 4 is a summary of the major socio-economic trends and issues affecting housing and consumer markets in Australia, New Zealand, the United Kingdom and United States. This provides an opportunity to determine if there are any international trends worth considering in the Canadian context.

Section 4 International perspectives on trends and issues

In this section we provide a short overview of the major issues and trends affecting housing and consumer markets in four countries:

- Australia
- New Zealand
- United Kingdom
- United States of America

This overview provides a context for understanding the similarities and differences with trends and issues identified in the Canadian context. These brief overviews are not intended to be exhaustive or comprehensive in nature. Instead, they provide a background for understanding potential international linkages and for informing our later discussion on research priorities.

4.1 Australia overview

Housing markets, and consumers of housing, have faced significant change in Australia over the past decade. A number of socio-economic trends are responsible for significant transition in the marketplace, which is affecting the housing choices and options available to Australian households. Many of the trends parallel those in Canada and other developed countries such as the United States and Great Britain.

Demographic issues

The Australian population growth rate is declining and birth rates are falling, although fertility rates remain higher than their Canadian or American counterparts (Yencken and Porter, 2001). Household size has fallen and is projected to continue to fall. The rate at which households dissolve and re-form again is increasing as divorce rates and the rate at which people remarry rise. In spite of high levels of remarriage, the number and proportion (of all households) of single-parent households is increasing. The population is aging and single-person households are on the rise. The traditional nuclear family is in decline, while childless couples, singles and other non-family arrangements are becoming more common. Growing ethnic diversity and an increasingly multicultural society are also placing new demands on, and providing new challenges, for the building industry, particularly in the area of house design

These trends characterize the mainstream population in Australia but there are groups in society who do not fit this pattern. Aboriginal households and some new immigrants have considerably different characteristics: larger household and family size and younger population profiles. Aboriginals also have much higher levels of family breakup and single-parent (usually female-led) households. Levels of family formation, and hence housing demand, tend to be higher for these groups.

Overall, these demographic trends dictate a continuing, but more modest, demand for housing. They also dictate a need for an expanded range of housing options: for single individuals, elderly individuals and couples, childless couples and career-focused professionals. The standard three-bedroom bungalow on the single lot (so long the dream of most Australians) is less-suited to the needs, aspirations and lifestyles (less family focused) of many of these non-traditional households. Smaller homes, different tenure options (such as condominiums or life leases), different locations (inner city as opposed to suburban) and homes with design features to accommodate non-traditional households and aging populations are in greater demand (O'Connor and Healy, 2001).

Changes in the labour market

Although demographic trends are important, access to meaningful, long-term and secure employment is the most important factor affecting consumer confidence and housing markets in Australia (Kupke and Morano, 2001). Opportunities for secure, full-time work are declining alongside rapid growth in casual or part-time work. Between 1973 and 1993, part-time jobs grew by 164 per cent while full-time jobs grew by only four per cent. Labour force changes parallel those of many other nations, with declining unskilled and blue collar positions in primary resource and manufacturing industries and growth in unskilled service occupations and skilled, high-paying jobs in information technology, finance and other sectors of the new economy. Employment and therefore incomes, is less equally distributed, with growth in both the high end and very low ends of the income spectrum and a hollowing out of the middle. The growing gap between the rich and the poor is a social trend of deep concern.

The general uncertainty with respect to job security is reflected in public opinion polls with a majority of Australians over the past five years feeling things are getting worse. This is reflected in weak consumer confidence. To stimulate confidence in the housing market, the government recently introduced a program for first-time buyers, providing grants up to $16,000 (Australian) for the purchase of a new home with $7,000 (Australian) for an existing home. There is no restriction on income or location.

Given this labour force and economic reality, certain groups in Australia bear a disproportionate amount of the burden of unemployment, job insecurity, casual and part-time work. Associated with this burden are poverty, homelessness, inadequate housing, lower levels of education and poor health. People more likely to fall into this category include indigenous people, newly arrived migrants, young people and those living outside major urban areas. Indigenous Australians continue to bear the greatest burden of economic and social disparity.

Tenure

The changes in the labour market are having a significant impact on homeownership (Kupke and Morano, 2001; Maclennan et al., 1997). Australia has had one of the highest rates of homeownership in the world (70 per cent in 2000), but the percentage of owners is now beginning to decline. The trends toward short-term and less-secure employment are forcing people to re-think the merits of ownership. The need for greater mobility because of more frequent job changes is also resulting in an increased tendency for households to live in the private rental sector. Single-income households find it increasingly difficult to purchase a home as housing prices and borrowing arrangements reflect the purchasing power of dual-income households. With ownership becoming less attractive (or less possible), the demand on the private rental sector is increasing, triggering a rise in rental rates and a lowering of vacancy rates. Those at the lower end of the market are being displaced, increasing the level of homelessness and the pressure on public housing.

Urban-rural variation

Housing trends in Australia illustrate significant regional differences and the description above more accurately reflects the metropolitan, as opposed to non-metropolitan experience. Populations are in decline in rural and small-town Australia, as people, particularly young singles and families, leave for employment in the larger metropolitan centres. Investment in housing is falling and many households are facing entrapment as property values fall below personal equity in their homes. The indigenous population, more concentrated in rural regions, lacks access to quality housing and basic infrastructure and overcrowding are significant issues.

On the environmental side, growing problems of air and water pollution in urban areas, the loss of urban biodiversity, loss of and disruption to urban wetlands, soil contamination and growing problems associated with disposal of solid waste are increasing the cost of housing and urban development. This has initiated interest in smart growth policies with an emphasis on increasing densities, residential intensification (infilling) in older residential areas and better integration of public transportation and residential development.

4.2 New Zealand overview

New Zealand has traditionally experienced increasing homeownership coupled with low-cost rental housing. However, many factors are contributing to a change in this situation. The major trends and issues in New Zealand are: aging of the baby boomers; increased cultural diversity; continued urbanization with Auckland becoming home to a greater share of the population; migration volatility (considerable variation across regions within the country) and early signs of a major transition away from homeownership by the children of the baby boomers. The government's shift in the early 1990s from a mixed delivery of housing assistance through subsidized public housing and income support to one of providing income support alone, by way of the Accommodation Supplement, has affected the nature of housing as well. More low-income households are finding it difficult to find suitable housing. Furthermore, there has been an acceleration of house prices in comparison to income, placing homeownership out of reach of increasing numbers of households. This summary is drawn from *New Zealand Now: Housing*, unless otherwise noted.

Urbanization and migration volatility

While population growth is expected to slow over the next five decades, there has been a high level of internal migration and large flows to and from New Zealand. These changes are influenced by the "Auckland drift,"—the emergence of new industries, availability of local resources and lifestyle factors. Together these factors influence the propensity to migrate within (mostly to Auckland) and out of New Zealand.

The rate of growth in the number of private dwellings varies considerably by region. In general, areas that experienced high net population growth (in and around Auckland) also experienced high growth in dwelling numbers, whereas areas with little population growth experienced lower dwelling number increases.

Urban-rural changes in housing stock

The number of private dwellings in New Zealand increased 18 per cent between 1986 and 1996. The highest rate of growth occurred in rural areas near Auckland and other major urban centres, mainly because more people made lifestyle choices to live outside urban areas.

Tenure

Newer generations of New Zealanders, both the young and the recent migrant communities, are experiencing different patterns of housing tenure, which suggests a possible reduction in the homeownership ethic. In 1996, 41 per cent of 20 to 34 year olds lived in rented dwellings, up from 35 per cent in 1986, suggesting that more households in this age group delayed buying their own home (with a mortgage) and remained renting in 1996 than in 1986. Possible reasons for this increase toward choosing rental accommodations could be newer generations starting their careers with student loan obligations, a return to later forming of couple households, later childbirth and more child-free couples. In total, the proportion of households renting increased slightly from 24 per cent in 1986 to 25 per cent in 1996. The proportion of household renters is expected to rise in the coming years.

The fall in the proportion of people living in homes owned with a mortgage can be attributed to three factors: house price increases (fewer households choosing homeownership); a shift to more single-income households (this occurred in the 10 years to 1996, both as the result of later marriages and an increase in the number of divorces, so there are fewer household choosing homeownership or more households moving out of homeownership); and, older households paying off their mortgage and now living mortgage-free.

Demographic issues

Aging of New Zealand society is an overriding issue driving many of the changes in housing demand. This effect is interwoven within a number of different household types, described below.

- **One-person households** One-person households increased by 31 per cent in the 10 years to 1996. The propensity to live alone increases with age. The 30- to 54- year age group accounted for the largest increase. The very elderly (aged 85 years and over) also became more likely to live alone, increasing from 47 per cent living alone in 1986 to 54 per cent by 1996. Changes in health care and home support services are among the factors that have enabled more elderly people to stay in their own homes rather than go into residential care.
- **Couple-with-children households** The most common household composition is that of the nuclear family with two parents and their children (with no other people present). As a proportion of all households, couple-with-children households fell from 38 (1986) to 31 per cent (1996). The average number of children in this household group also fell. The housing needs of this group are therefore changing.
- **Couple-only households** Childless couples living in a dwelling on their own increased by 24 per cent between 1986 and 1996. One of the effects of population aging is the increase in households where children have grown up and left home. Another factor in the increase in couple-only households is a trend toward delayed childbearing or the decision not to have children at all.
- **Multi-family households** The occurrence of two or more families sharing a home almost doubled in the 10 years to 1996, but they accounted for only three per cent of all households. The proportional increase was highest for the Asian ethnic group, at more than 500 per cent and half were new immigrants.
- **One-parent households** One-parent families living on their own increased their share from eight to nine per cent of all households over the 10 years to 1996. In the same period the number of households in this category increased by almost 30,000 (35 per cent).

Cost of housing

The housing costs faced by households differ by tenure type, region and the household's housing needs. Housing costs have been rising faster than other costs. For example, between December 1988 and December 1997 the Consumer Price Index (CPI) increased by 28 per cent (Statistics New Zealand, 2000). However, the housing index of the CPI rose by 48 per cent. Higher housing prices resulted in greater expenditure on housing in nominal terms and as a proportion of total household spending. Between 1988 and 1997 average weekly household expenditure on housing increased from 21 per cent to 25 per cent of total spending.

Several factors caused the housing component of the CPI to increase by more than any other component during this period. At the national level, one factor was an increase in rent levels due to a government policy shift away from subsidized rents and mortgages to assistance in the form of an Accommodation Supplement (Thorns, 2000). Another major factor was the increase in housing costs in the Auckland region due to demand pressures in this area. Because of Auckland's large population in relation to the rest of the country, it is heavily weighted in the CPI housing component.

Private and state sector rentals

Between 1991 and 1996, the proportion of households renting changed only slightly from 23 to 25 per cent; however, there was substantial change in the ownership structure of rental properties. The proportion of renter households with state sector landlords dropped from 36 per cent in 1991 to 28 per cent in 1996. Correspondingly, the proportion of renter households with private sector landlords rose from 64 to 72 per cent. As the government moves out of the direct provision of rental housing, it is remaining a provider for mostly low-income households: most of the households renting from the state sector had incomes of $20,000 or less. There was a more even distribution of households across all income groups renting from the private sector.

Thorns (2000) suggests that lower-income households now have fewer choices for housing due to the way in which the market has responded. There has not been a large increase in low-cost units. The state objective of reducing marginalization by increasing housing choice for-low income households has not been met. For this to be achieved, the level of the supplement would have to be raised and the market would have to create more low-cost housing units and more units of smaller size. Thorns suggested that the creation of new forms of housing provision, such as community trusts, self-build, sweat equity schemes and housing associations may be required to provide more housing choices for low-income households.

4.3 United Kingdom overview

The housing situation in the United Kingdom is very similar to that of other developed nations. The most recent Survey of English Housing (DTLR, 2001) found that:

- 27 per cent of households own their homes outright;
- 42 per cent have a mortgage;
- 21 per cent of households are in the social rented sector (of these, 41 per cent are single persons, 16 per cent are lone parents and only 25 per cent work full-time); and,
- 10 per cent of households rent in the private sector (and these households have average incomes twice that of the social rented sector tenants).

It also found that one-third of ethnic minority households live in the 10 per cent most economically deprived neighbourhoods and that these areas also have a higher incidence of lone parents and more rented dwellings.

Many of the demographic issues related to aging and immigration are similar to those of other developed countries, as are the impacts and effects of changing economic, financial and monetary circumstances. For example, the Department of the Environment and Welsh Office (1995) identified the most important socio-economic trends affecting housing: longer life expectancies, more aging in place, smaller family groups, new patterns of work and changes in traditional roles in the workforce. MacLennan (1995) notes that some of these trends have more local and regional impact than others. For example, he notes that growth in population, income and the economy is greater in the South/London area. These factors have had a more significant effect on housing markets in that area than in other areas. The most visible evidence is that more people are moving up to larger houses or changing tenure from rental to homeownership.

Rising cost of homeownership

Meikle (2001) notes that house prices in the U.K. have risen at a higher rate than that of other commodities and services. The primary factor has been the rapidly rising cost of land. The rise in construction prices has been fairly consistent with the rise of other costs. Carter and Hoehn (2000) note that there is currently a modest to strong demand for housing fuelled by move-up buyers and young professionals, despite the fact that house prices have been increasing modestly but generally rising more rapidly than incomes. In the recent past, demand for home purchases has been sustained by historically low and stable interest rates. There is significant regional variation in market conditions with London and the south of England being a "hot market." Demand in this area is driven by migration to so-called "new economy" jobs located mainly in London and the surrounding area. Ireland has experienced a similar situation but on a more modest scale. In other areas prices have not increased to the same extent.

Further research (Anonymous, 2000b) shows that housing market conditions in 2000 were fundamentally different from those of the late 1980s and early 1990s, when there was a sharp rise in homebuying followed by a decline. Another rapid rise in homebuying is unlikely to be repeated any time soon as the rate of income increase has not kept pace with increases in housing prices to the extent it did in the 1980s. The level of house sales attained in 2000 is likely to be sustained unless a greater proportion of the population seeks to buy a house, as happened in the 1980s, or more people want to move. The primary factor here is that in the late 1980s there was a sharp increase in the number of people in their 20s buying a home, a trend that was promptly reversed in the early 1990s. Today, younger people are more likely to put off buying their first home, because many graduates are beginning their career with student debt.

One of the fallouts from the problems experienced by homeowners who overextended themselves in the late 1980s is that many had postponed having more children because of the uncertainties surrounding the market value of their home. (Forrest et al., 1999) However, many in the U.K. still state that homeownership is preferred over renting.

One of the groups most affected by rising housing costs is women-led households. Christie (2000) shows that they are constrained by limited employment opportunities and are more likely to find themselves with mortgage defaults and financial problems. A downward pattern of residential mobility into the social rented sector is often the result. The outcome is greater exclusion from neighbourhood or local community activities or from family and friends, as well as from opportunities in education, training and employment.

General economic issues

Many households have been relying since 1996 on borrowing to finance the difference between their spending and disposable income. The household saving ratio in 2000 fell to its lowest level since the late 1980s. This is coupled with rising oil and fuel costs, steady inflation and low interest rates. The net effect has been a recent decline in house sales and a decline in the number and value of loan approvals for mortgages. (Anonymous, 2000a)

Planning issues

Research by Hull (1997) suggests that local planning systems in the U.K. have no authority or power to implement sustainable development approaches to the provision of affordable housing due to the overt pressures placed on market-driven development (which is consuming most of the developable land), the opening up of transportation corridors and expanding business locations. Thus, the ideals of urban containment and green belt development are pushed to the side. The resulting outcome has been a dearth of affordable housing and migration of low-income households in search of social rented housing. Kleinman (1999) notes that the "social exclusion" problem (the geographic separation of households from different social and economic classes) is also being driven by the government's administrative allocation processes in the social sector, which has concentrated social rented housing in specific neighbourhoods. Planning policies at a larger regional level have opened up new developments in less-dense population areas, enabling those with the means to do so to move out to neighbourhoods with better social and economic conditions. In short, the recent trend in the U.K. has been to less diversity within urban neighbourhoods and communities. Kleinman believes that the longer-term objective must be to ensure that these areas are acceptable to a wider range of households living in all types of tenure, as this helps generate sustainability and equity.

An emerging area of interest both nationally and locally is that of urban renewal and the use of previously developed land and existing buildings in urban areas for new housing developments. (DTLR, 2000a) There is growing concern that there has been too much new development on "greenfield land," land that has not previously been used for any development purposes. This practice destroys existing landscapes and requires new and expensive infrastructure for servicing purposes. There is potential for an additional 18,000 to 26,500 units per year between 1999 and 2016 to be added to the stock by simply encouraging development within existing built environments. The potential for changes of use to housing (from other uses such as commercial) is concentrated in the larger towns and cities. The potential for subdivision and redevelopment is concentrated in Greater London and in areas within commuting distance to London and the historic, university and resort towns of the south. The potential for redevelopment is concentrated in areas where there is a combination of houses in large plots and strong demand for rented accommodation, mostly outside town and city centres in the areas lying around the edge of larger cities.

Rural housing issues

The U.K. government has been examining the pressures on rural areas as a result of changing housing markets. An examination of four case studies (DTLR, 1998) in rural areas near larger urban areas has found that in-migration to rural areas is significant and that the primary reasons for moving are job related. The overall increase in the total number of housing units is due primarily to new development for owner occupation, rather than resulting from conversion, development of social housing or privately rented housing. While there are planning provisions to protect the rural countryside from increasing development pressures, particularly within Areas of Outstanding Natural Beauty (AONBs), development has been happening on a significant scale. However, in the four case study areas, most development has been on in-fill sites within villages and has not resulted in settlements expanding into open agricultural land. Housing choice in rural areas is becoming more limited. The total volume of rented accommodation has declined, particularly the social rented units. This, along with a rise in homeownership prices, has created affordability problems and has resulted in some involuntary out-migration of lower-income households as they seek areas where they can afford to live.

It is expected that demand for housing in rural areas is likely to increase. Projected household growth, technological and economic trends and the fact that for many reasons people wish to live in the countryside are the driving factors. The price of housing in rural areas is likely to continue to increase and there will be an ongoing problem of affordable housing in rural areas.

4.4 United States overview

Housing markets and consumers of housing have faced significant change in the United States over the 1991-2000 decade. A number of trends are responsible for transition in the marketplace, which is affecting the housing choices and options available to American households. Many of the trends parallel those in Canada and other developed countries such as Australia and Britain.

Demographic issues

The population growth rate in the United States is declining and birth rates are falling, although there is considerable variation by ethnicity. Fertility and growth rates are higher for

Blacks and Hispanics and much lower for Caucasian households. Overall, household size has fallen and further modest decline is expected over the 2001-2010 decade. The rate at which households dissolve and re-form is increasing as divorce rates and the rate at which people remarry rise. In spite of high levels of remarriage, there is a growing population of single-parent households with very low incomes (Joint Center for Housing Studies, 1997).

The population is aging and single-person households are on the rise. The traditional nuclear family is in decline, while childless couples, singles and other non-family arrangements are becoming more common. Minorities (Blacks and Hispanics) are the fastest-growing segment of the population, but foreign-born households and their children also continue to account for a significant share of household growth. The baby boomers will continue to dominate the housing markets over the 2001-2010 decade and a growing number of seniors will also be a major influence. The increasing ethnic and multicultural diversity of society is providing new challenges for the building industry, particularly in the area of house design (Joint Center for Housing Studies, 1998, 1999).

Overall, these demographic trends dictate a continuing demand for more housing. The number of households will increase by an average of 1.1 to 1.2 million annually from 2001 to 2010, adding to the 100 million-plus that already exist. Changing demographics also dictate a need for an expanded range of housing options for non-traditional, nuclear family households: for single individuals, elderly individuals and couples, childless couples and career-focused professionals. The single-detached home on the single lot in the suburbs (the American Dream) is less suited to the needs, aspirations and lifestyles (less family-focused) of many of these non-traditional households. Smaller homes, different tenure options (condominiums, life lease, etc.), different locations (inner city as opposed to suburban) and homes with design features to accommodate non-traditional households and aging populations are in greater demand. The demand for home modifications to deal with the infirmities of an aging population will also increase (Joint Centre for Housing Studies, 2000).

Housing stock

Despite the slowdown in the economy, home sales remained surprisingly strong. After reaching a peak in 2000 with the sale of 907,000 new homes and 5,205,000 existing units, sales in 2001 fell only slightly to 898,000 new and 5,113,000 existing units. The value of residential construction, after hitting an all-time high of $90.9 billion, fell only slightly to $87.1 billion. Housing starts in the last three years in the United States have been at their highest level in than two decades and housing activity over the next decade should rival, if not exceed, the 1990s levels. Prices and rents continued to increase, but low interest rates, combined with reasonably strong demand, helped housing markets stay strong. Fuelled by the baby boom generation, the strongest demand is expected to be for larger, well-appointed homes over 2001-2010. The addition of more than 16 million new homes over the 2001-2010 decade, combined with the aging of the overall stock, will serve to boost spending on home improvements, repairs and alterations. Studies highlight the fact that there are over 3.2 million owner-occupied dwellings that are at risk of loss due to structural inadequacy and/or under maintenance and an additional 3.1 million renter-occupied units in the same category (Joint Center for Housing Studies, 1999, 2000, 2001).

Over the 2001-2010 decade, household growth is expected to account for about 70 per cent of the demand for new housing. The other 30 per cent is attributed to replacement of housing lost to abandonment (concentrated in inner-city areas), disaster loss (which appears to be on the rise) associated with more turbulent weather characteristic of global warming, expansion of the second-home market, the increasing number of vacant units in the inner city areas and vacancies required to accommodate the increasing number of turnover movers (Joint Centre for Housing Studies, 1999).

The enduring strength of the United States housing market is expected to add to the affordability problems of low-income households. House price inflation is already making it more difficult for marginal borrowers in some areas to save enough to buy a home. With housing costs on the rise, expanding the supply of affordable housing and preserving the existing subsidized stock will be especially important challenges.

Mortgage financing

Mortgage interest rates and, until the terrorist attacks of September 11, 2001, unemployment levels, were at their lowest levels since the 1960s, so the national homeownership rate climbed to a record 67.8 per cent in 2001 (Joint Center for Housing Studies, 2002). Homeownership has become a reality for more Americans than ever (U.S. Census Bureau, 1999). Heavy mortgage refinancing activities, because of lower interest rates, have put more money into consumers' hands. For over three million households, cash was freed up as a result of lower mortgage payments. Increasing home values in association with refinancing also means homeowners have greater equity against which they can borrow. Borrowing against home equity in the form of second mortgages and lines of credit has surged. Some homeowners have used these equity loans to pay off higher interest debt, but others have used them to purchase other goods and services, contributing to overall economic growth (Federal Reserve, 2001).

Changes in the labour market

Labour force changes over the past couple of decades (1981-2001) parallel those of many other nations, with declining unskilled and blue collar positions in primary resource and manufacturing industries and growth in unskilled service occupations and skilled, high-paying jobs in information technology, finance and other sectors of the new economy. The proportion of the labour force engaged in full-time work declined over this period alongside rapid growth in casual or part-time work. With growth in both high-end and very low-end jobs, resultant incomes are less equitably distributed across all income groups than they were two decades ago. There is a growing gap between the rich and the poor, although lower unemployment rates in the United States have moderated the effects of these labour force changes to a greater extent than in some countries (Joint Centre for Housing Studies, 2000).

Given this labour force and economic reality, certain groups bear a disproportionate share of the burden of unemployment, job insecurity, casual and part-time work. Along with this burden go poverty, homelessness, inadequate housing, lower levels of education and poor health. People more likely to be disproportionately burdened include Blacks and Hispanics, newly arrived migrants, young people and those living outside major urban areas. Indigenous Americans continue to bear the greatest burden of economic and social disparity.

Urban-rural variation

Housing trends in the United States illustrate significant regional differences. The descriptions above more accurately reflect the metropolitan, as opposed to non-metropolitan, experience. Populations are in decline in rural areas and small towns as people, particularly young singles and families, leave for employment in the larger metropolitan centres. Investment in housing is falling in these communities. The Indigenous population, generally more concentrated in rural regions, lacks access to quality housing and the lack of basic infrastructure and overcrowding are significant issues.

Planning issues

Significant housing growth has increased concerns about the pace and pattern of development. Most of the construction is medium- and low-density development occurring in fringe areas outside of metropolitan boundaries. This growth is not characteristic of sustainable development, as it is increasing the geographic pattern of sprawl which, in turn, is increasing the overall cost of providing infrastructure and the cost of both public and private transportation and housing (Barrette, 2001; Natural Resources Defence Council, 2000). It is also continuing the flight of moderate- and higher- income households from central city areas, where populations continue to decline and the higher end of the tax base continues to erode.

Unless aging baby boomers and their children reverse the century-long trend of decentralized development, homebuilding activity will remain concentrated in fringe areas. This trend of increasing development on the outer edges of cities is likely to continue, unless key issues such as school quality and public safety in inner city areas are addressed. While suburban and fringe areas continue to attract population from inner cities, there are signs that this trend is reversing. Boston, New York and Chicago, for example, are experiencing significant movement back to the inner city. This movement is fuelled to a certain extent by foreign immigration but also by young professionals, empty nesters still in the workforce and people who have come to dislike the exhausting and expensive daily commute.

Concern centring on overall housing and development trends has stimulated interest and activity in smart growth initiatives, which are beginning to counteract the economic and environmental effects of sprawling, low-density development. These initiatives, however, still tend to be project-focused, as opposed to being applied to development in general. More large urban centres are engaging sustainable development through renewed efforts to increase the use of public transportation. Despite these initiatives, growing problems of air and water pollution in urban areas, the loss of urban bio-diversity, loss of (or damage to) urban wetlands, soil contamination and growing problems associated with disposal of solid waste are increasing the cost of housing and urban development (Barrette, 2001; Natural Resources Defence Council, 2000).

Summary

This section has provided a summary of the trends and issues affecting housing and consumer markets in Australia, New Zealand, the United Kingdom and United States. This information, together with the information on trends and issues in Canada (grouped by major topic in Section 2 and summarized by submarket areas in Section 3) is used as the basis for identifying potential future research priorities. Section 5 analyses the research gaps and provides a detailed description of eight potential research priorities.

Section 5 Potential priorities for future research

This section recommends potential future research on issues and trends affecting housing and consumer markets in Canada, particularly as they relate to informing a national housing research agenda. These priorities were developed from a synthesis of various trends and research gaps identified for each major topic investigated (summarized in Appendix A, page 85), for each submarket area examined (summarized in Appendix B, page 91) and which transcend or cut across a number of major topics or submarket areas (summarized in Appendix C, page 96).

In reviewing each of the research gap summaries (by topic, by submarket and cross-cutting research gaps) for the purpose of identifying the most important potential future research priorities, the following criteria were used to guide our thinking and analysis:

- The importance the issue or trend is given in the literature, particularly as a driver of (the) housing market(s).
- The potential of the issue or trend to be important in a number of submarkets and geographical regions.
- The gaps in research on the issue or trend that are apparent from a review of the literature.
- The potential to build on existing knowledge.
- The potential to actually carry out a research project on the priority issue (i.e., the topic can actually be researched and is not general or esoteric in nature; the data exists or is possible to collect; it is financially feasible to carry out the research, etc.).

- The potential for having a major impact in terms of new knowledge creation or developing new avenues of inquiry and investigation.
- The potential to have an impact on or influence public policy.
- Our own knowledge of housing issues and trends.

Eight priority research questions have been identified and are discussed below. In addition to stating the specific question, a discussion of the circumstances associated with the issue is provided, as is the rationale for identifying the question as a priority. The eight questions are listed in no particular order since they are all considered to be potential future research priorities. Table 1 provides a summary of how the criteria were applied to each of these eight questions. It is important to note that each of these research questions was identified in the literature as being important, each fills a gap in research and each contributes to new knowledge creation.

Question 1—What is the effect of Aboriginal population growth and migration on the off-reserve demand for various housing options and associated support services?

Discussion

Considerable research has focused on the movement of the Aboriginal population from reserves and small communities to urban centres (Norris and Beaven, 2000, CMHC, 1996). There is reasonably good data on who moves and why (Social Planning Council of Winnipeg, 2001, Clatworthy, 2000). There is less information on the nature of the "churn" that occurs in urban centres. Poor housing conditions are often a key reason for the move and people hope to find improved housing circumstances in urban communities. Many Aboriginal people find, however, that the move to urban centres does not allow them to access the quality affordable housing they need (Norris et. al, 1996, Kerr et, al, 1996).

Rationale

Although some research has focused on the housing circumstances of Aboriginal people living in urban centres, more work is required on the housing circumstances of recent arrivals. What housing options are they accessing? What proportion is living temporarily with families and friends? What types of housing do they need, what can they afford? What particular household groups are disadvantaged? What housing support services are required to address the needs of households? Does discrimination play an influential role in the housing problems facing Aboriginal people? Answers to these as well as other questions are crucial to addressing the housing needs of Aboriginal people moving to Canada's urban communities. Access to adequate, secure and affordable housing can be an effective first step in facilitating access to other services Aboriginal households require to improve their quality of life. Unless a stable housing environment is established, efforts to improve education, health, skills development and employment opportunities are difficult. Reducing the "churn" or constant mobility within the urban centres that has been documented (Clatworthy, 2000 and Norris and Beaven, 2000) improves access to other required services.

This research issue has strong connections to other policy areas including health care, education and employment. There is also a strong relationship to poverty alleviation initiatives, the Federal Urban Aboriginal Strategy and indirectly to on-reserve housing policies as reducing the back and forth mobility from urban centres to reserves affects housing demand on reserves. The research is also applicable over a number of submarkets as Aboriginal migration destinations include both high- and slow-growth metropolitan centres and small communities. Census material and data from the Aboriginal Peoples Survey, as well as the growing body of existing literature, will provide necessary background material. This material will help clarify what has been done and what gaps exist. Additional survey and case study work will certainly be necessary and, although this work will be time consuming and costly, work to advance research and knowledge in this area can realistically be undertaken. This is one area of research that has the potential to influence public policy to a significant extent. Work in Canada can also draw on international experience from countries such as Australia, New Zealand and the United States.

> **Question 2—What are the short- and long-term effects of the polarization of the labour force (which has resulted in growth in both high-end and low-end jobs) on the housing market in Canada's major metropolitan centres?**

Discussion

During the last couple of decades we have witnessed a significant restructuring of the labour force. Growth has been concentrated in two sectors: the service sector, such as the fast food industry, which provides low wage opportunities; and, the "new knowledge" economy, financial industry, health care and other professional positions that offer high-end salaries (Yencken and Porter, 2001). Many middle-income jobs, such as those in the manufacturing sector, have disappeared. This has had the effect of squeezing people in the middle-income range. Some households have benefited by accessing the high-end positions, others have been squeezed into the lower-income categories. Shifts in the proportion of the population in various income categories will obviously have an effect on the housing market in both the short and long term. These trends will continue to influence the demand for different types, tenure and price ranges of housing. In some cities there are also important locational characteristics associated with growth in a particular sector of the labour force. New-knowledge jobs in some cities often gravitate to city centres or the original central business district (CBD) and "knowledge workers" often want to live in older residential areas nearby (Florida, 2000; Florida and Gates, 2001). This locational pattern of employment can also have an effect on housing markets, changing the geographic patterns of demand in the city.

Rationale

Although considerable work has focused on the changing nature of the labour force, there has been less research focusing on the implications of this change for the housing market. What effects do the changing nature of the labour force and the associated income redistribution of the population have on demand for ownership and rental housing? Are the labour force changes significant enough to change the tenure distribution over the longer term? What type of housing design options will be required to accommodate people who are part of these changes in labour force? How will these changes affect the demand for new, first-time buyer homes? The move-up market? Will there be a change in the geographical focus of demand? Will labour force restructuring result in an increase in demand in central city areas, initiating more higher-end housing in some centres and resulting in renewed interest in housing investment and revitalization in others? Will the restructuring have any significant effect on core need and the demand for affordable housing, particularly in the rental sector? This research issue is most important in the high-growth metropolitan centres but also plays a role in slower-growing urban centres. Small town Canada and rural areas have not escaped this restructuring, although they are more likely to be affected by the loss of high end jobs and what growth occurs is more likely to be in the low-end categories.

Labour force changes, because they have the potential to significantly influence the level and distribution of income, are an important driver of change in the housing market. They are also important to all the submarkets identified in the typology, although research should focus on the high-growth metropolitan centres where employment growth and labour force changes are most pronounced and are likely to have the most impact on housing demand. These issues also have direct relevance to several national policy initiatives, including those related to human resource development, skills development and innovation. There is reasonably good data on labour force changes that documents the nature of the change, the associated changes in levels of income and the geographical distribution of growth and decline in various sectors of the labour force. Building on this knowledge it will be possible to document the implications for housing. Hence, this is a topic that can be researched, although extensive work in this area will be costly. Basic work in this area that documents macro effects on the market (e.g., levels of demand, tenure changes) will also pave the way for more micro level studies on specific submarkets and regions.

Question 3—What is the nature and the extent of discrimination in the housing market? Which population groups face discrimination? Are the current anti-discrimination laws and enforcement regulations effective? If not, how might they be strengthened?

Discussion

Discrimination against certain population groups, such as immigrants (Chambon et al., 1997), Aboriginal people (Spector et al., 1991), low-income households with children (Jackson and Roberts, 2001), female lone-parents (CMHC, 2000b) and residents with health problems or disabilities (Schiff and Gnaedinger, 1997; Vlug, 1998; Weisberg, 1994) in the housing market has been documented. Discrimination on ethnic (Beavis, 1995), racial (Darden and Karmel, 2000), gender or other identity characteristics is also and important access issue (Mason, 1995). Individuals from these specific groups may be denied access to housing of their choice or charged significantly more for the homes they rent or buy. The most significant instances of discrimination are in access to rental housing (Hulchanski, 1993). With the continued arrival of immigrants and refugees there will be growing diversity in Canadian society. This, as well as continued migration of Aboriginal people to urban centres, will increase the potential for discrimination to occur.

Rationale

Although work by Canadian researchers generally indicates that discrimination exists, assertions are often based on anecdotal evidence. There is not a great deal of empirical evidence to document the nature of discrimination. Fair housing audits, like those documented in the U.S. literature, have not been common in Canada. There is also little evidence to document the specific nature of discrimination. There needs to be more work that provides the empirical evidence that actually verifies that discrimination is occurring. Is discrimination actually exercised by refusing to rent to certain households? Is it a situation where they have to pay a premium to access a unit through higher damage deposits, higher rents, several months rent in advance or other aspects that contravene tenant landlord and human rights legislation and other regulatory measures? Only through verification and documentation of the problems will it be possible to assess the effectiveness of existing legislation and suggest how it might be strengthened. This issue is most important for the large, high-growth, metropolitan centres, as approximately 74 per cent of new immigrants initially settle in Canada's three largest metropolitan centres, Toronto, Vancouver and Montreal.

However, Aboriginal people are migrating in significant numbers to many slower-growth centres such as Winnipeg, Regina and Prince Albert. Other groups that face discrimination are common to all submarkets. As well as applicability to a number of submarkets, discrimination intersects with several other policy areas, including child poverty issues, social exclusion and inclusion, social cohesion, integration of immigrant households, social and geographic segregation in urban areas and human rights issues. Although sound methodologies and detailed survey and case study work is required, experience in other countries indicates such research can produce reliable results.

Because there is so little work in this area there is a need to add new knowledge, which may have considerable potential to influence policy, particularly in the area of laws and enforcement (prevention) regulations. In addition, new knowledge in this area can be used for educational purposes to build community awareness and understanding of the issues.

> **Question 4—What will be the short- and long-term effects on housing affordability of the need for large and small municipalities to cope with extensive expenditures to repair aging infrastructure over the next couple of decades?**

Discussion

Municipal infrastructure includes the massive networks of roads and transportation systems, sewer lines and treatment plants, water lines and delivery systems, electrical grids, phone lines and other essential operational facilities in cities. This infrastructure is aging and in need of renewal. Several studies have noted the need for renewal and the extensive cost of this upgrading (Diamant, 1995, Kim, 1997). Although the figures in these studies are often dated and provide only general, broad estimates, the magnitude of expenditures required is certainly a significant challenge facing Canada's urban centres. The cost of upgrading infrastructure will depend extensively on the property tax base and development fees and charges. Many of these costs will be directly or indirectly passed on to homeowners and renters.

Rationale

Several studies have focused on the cost of servicing new peripheral development (Ciscel, 2001) and the need for new urban growth patterns that reduce the cost of providing infrastructure (Kim, 1997, CMHC, 1995a, Hygeia Consulting Services, 1997, Richard Drdla Associates, 1999). These studies have also addressed the savings associated with replacing the current form of peripheral expansion with the new urban growth patterns and the potential for development of more-affordable housing options. Less work has focused on the potential costs that may be passed on to the housing consumer to cover the costs of the renewal and upgrading of the existing infrastructure. How should the burden of costs be distributed among housing consumers, business and the general tax paying public? What sort of pricing mechanisms can be used to reduce the impact on the housing consumer? What role should the various levels of government play? How should costs be distributed between inner city and suburban taxpayers? How will these expenditures affect housing affordability? These are important questions that have to be addressed, as the answers will have significant impacts on both short- and long-term costs for the consumer. This is also an issue that is important throughout the submarkets identified in this report. It has particular significance for slow-growth cities and small communities that have eroding tax bases. In these cities market values are not always generating the property tax revenue necessary to sustain ongoing operating costs, let alone the cost of significant upgrading.

The significance of research in the area goes beyond the affordability of housing. The results will have significant implications for other areas of public policy, such as municipal financing and taxation policy. Although a national study would almost certainly be too expensive to undertake, detailed case study work on selected centres within each submarket area would be possible. National estimates could be constructed based on case study material.

> **Question 5—What are the specific housing needs of distinct immigrant and refugee populations, the barriers they face and the opportunities that will be created for the new construction and renovation industry?**

Discussion

Future population growth scenarios suggest an aging population and fertility rates that are below replacement level (Statistics Canada, 2001; McVey and Kalbach, 1995). Hence, the level of immigration will be key to any future population increase. In addition a viable and buoyant housing market will depend to a significant extent on immigration (CHBA, 1998). However, immigrants face discrimination (Chambon et al., 1997) and affordability problems (Murdie and Lapointe Consulting, 1986; Ley et al., 2001) in the housing market.

Rationale

With future population growth and housing demand so dependent on the flow and successful integration of immigrants, research is required to better assess the housing needs of immigrant and refugee households, reduce the barriers they face and identify opportunities for the building sector. There is a need for more focused studies to determine present and future housing needs of refugees and immigrants (CMHC, 1999). These studies must identify preferred housing options, design guidelines, possible programs of assistance and best practice approaches (CHBA, 1998). The housing choices of immigrants must also be tracked over time so that successful integration patterns of various categories of immigrants can be determined (Clayton Research, 1994). Grant (1996), Fong (1997) and Owusu (1999) all suggest the research must include a focus on all immigrant groups, as needs and preferences vary with origin, racial and ethnicity characteristics. Finally, Hiebert and Burnley (2001) suggest research should also extend beyond the usual focus on inner-city immigrants to include suburban immigrants.

Only through detailed study of immigrant housing needs and preferences and the barriers they face will effective demand be exercised in the marketplace. Research should focus on the housing needs of specific immigrant groups. Immigrants cannot be effectively studied as a single group. Each immigrant group has its own, specific, cultural characteristics, household characteristics and housing preferences, so housing needs and requirements vary from one ethnic or racial group to the next. More research that is group-specific is required to better understand the implications for the market.

This research issue is most important to the high-growth metropolitan submarket; however, its significance extends to selected centres in other submarkets—the small city of Brooks, Alta., for example, where the meat-processing sector has drawn immigrant sources of labour to meet its labour force requirements. The issue is also significant to other sectors of the economy, such as the construction industry. Successful integration of immigrants and refugees is also important to labour force policy and successful implementation of regional growth strategies.

Although secondary sources of data such as the census are useful, primary data will have to be collected though detailed survey and case study work, but this is a manageable area of research. This area of research can also build on the knowledge and the body of research that is developing through the initiatives under the Metropolis Project, which focuses on immigration and integration of immigrants and refugees. Several studies with housing implications have been sponsored under this initiative. Research in this area has the potential to impact public policy well beyond the housing field, including immigration policy, poverty alleviation, social welfare strategies and anti-discrimination policies and strategies.

Question 6—What are the options for enhancing public demand and acceptance of smart growth housing and planning options?

Discussion

The suburban expansion of the last several decades has created a new set of problems for cities. Continued expansion (generally low-density) at the city's edge has resulted in increasing costs to extend and maintain services like sewer, water, electricity and transportation infrastructure. Development at the edge has consumed prime agricultural land and replaced valuable wetlands and natural habitat. Increased traffic, associated with longer commutes to work, has increased levels of air pollution (Olson, 2000, Roseland, 1998). Larger homes in many suburban areas also generate a significant draw on resources. Many would argue that continued movement of moderate- and higher-income people to areas of suburban expansion has weakened the inner city, robbing it of its tax base and destroying inner-city social cohesion and capacity. This pattern of growth has generated a new set of economic, social and environmental problems that are presenting a real challenge for cities. In response to this unsustainable approach to urban development, planners are rethinking the planning and management of urban growth. In an effort to ensure greater sustainability "a move towards smart growth" has been advocated. The principles of "smart growth" have been defined and promoted in works by Benfield (2001) and the Canadian Urban Institute (2001).

Smart Growth is characterized by more emphasis on mixed land uses and a more compact urban design that generates more walkable communities. It also emphasizes higher-density development that preserves open space, farmland and natural habitat and directs development toward existing communities. An emphasis is also placed on providing a broader range of housing designs and affordability options than are normally available in standard suburban developments. An effort is also made to provide a variety of transportation alternatives to the automobile.

Rationale

Research has provided substantive evidence that documents the nature of the problems the recent pattern of development has created for cities (Knapp and Hopkins, 2001, Tyler, 2000 and CMHC, 1995a, Richard Drdla Associates, 1999, Hygeia Consulting Services, 1997). Other research and development initiatives have demonstrated that "smart growth" will counteract some of the environmental, social and economic problems generated by our existing patterns of development, including "smart growth." However, there is very little work available to indicate the marketability of this approach to urban development. A number of projects with smart growth features have been developed in the United States. Although fewer in number, there are also Canadian examples. Smart growth features, however, have not been widely implemented. A "risk averse" development industry is concerned about marketability. Housing consumers still illustrate a strong preference for the traditional suburban approach to development. Given the possible environmental and economic advantages of smart growth, there is a need to identify options to enhance public demand and acceptability of the approach. There is also a need to promote acceptance at the municipal level.

With developments already in place, the research can draw on the marketing experience of both American and Canadian examples. Examining and documenting the market segments and the marketing strategies of these projects will help the development industry and cities design strategies to increase public interest and acceptability of the approach. It will provide examples of what has and has not, worked. In addition, surveys and opinion polls of residents will be needed to gauge levels of interest, commitment and acceptability.

There will be continued pressure to address environmental concerns in large and small urban communities. This will include pressures to reduce the cost and environmental effects of suburban sprawl and development of urban infrastructure that is less detrimental to the environment. The policy links and the impact of research in this area are much broader than environmentally sustainable housing policy. The research findings will have implications for policies in the broad field of planning and management of urban growth. It will also provide useful information on society's acceptance of lifestyle changes in the face of pressures to address environmental concerns, including Canada's commitments related to the Kyoto Accord to reduce greenhouse gas emissions. This research is most important for high-growth centres, where development pressures are greatest. However, sustainable development patterns and practices are also important in slow-growth centres and small towns. Public acceptance may also be more difficult to achieve in these centres.

Question 7—What is the extent and nature of changes in the private, affordable, rental-housing portfolio? What is the level of investment required to modernize and renovate older properties? What feasible strategies can be developed to encourage the investment necessary to maintain and enhance the existing private-rental inventory in Canada's urban centres?

Discussion

Over the past two decades, the Canadian rental market has been in a state of transition and reorganization. There has been a decline in the number of new, affordable rental units being built by the private sector. Some of the existing portfolio has been converted to condominiums. Some older, affordable units have been extensively renovated and modernized and rents have increased beyond the affordable level. Investment in the modernization and repair of some older projects has declined and they have fallen into disrepair or have been demolished (Pomeroy et al., 1999). These trends have reduced the number of affordable rental units available to low- and moderate-income households. Research illustrates that the shift to homeownership has resulted in rental markets becoming more polarized, with low-income households most likely to comprise the rental population (Clayton, 2000). Associated with this trend is the fact that the rate of return for rental units does not offer enough incentive to attract the necessary capital to build new units and invest in the repair and modernization of the existing portfolio (Clayton, 2000; FCM, 1999; Pomeroy et al., 1999).

Rationale

Some information is available on the nature and extent of changes in the rental portfolio but further research is required in this area, particularly in the different submarket areas. Most research on rental inventory has focused on the major metropolitan centres, especially those experiencing higher levels of population growth and rental housing demand. The recent release of the 2001 census data will assist research initiatives in this area.

There is little hard data available on the economics of modernization and renovation of the older existing stock. Selected case studies have been undertaken but there is a need to expand the knowledge base and the range of case study material to enhance understanding of the nature and magnitude of expenditures required to maintain this existing portfolio of rental units. Basic research in this area provides a basis for answering other important questions. Will stimulative strategies be required to encourage owners to make these investments? How will this investment affect rent levels? Will rents be affordable? Relatively detailed data is available on household affordability, so the effect on affordability can be determined.

Research in this area has broader policy linkages to other priority research areas including government policy on assisted housing, social policy on poverty and housing need, the cost of housing and housing construction and renovation. This research, although of greatest importance to high-growth metropolitan centres because of the demand pressures and affordability problems in these communities, has relevance throughout all submarkets where there is a demand for rental accommodation. It is of considerable importance to slow-growth metropolitan centres and smaller communities where new rental starts are least likely and dependence on the existing inventory is therefore more important.

To actually carry out research on this topic will require a great deal of detailed data collection and analysis. Good information on the economics of modernization and improvement of old rental projects is not readily or widely available. Many of the existing studies are theoretical, providing little hard data. Obtaining this data will require good co-operation from private owners and landlords. The research, although possible, will be time-consuming and expensive, but when complete will add considerable new knowledge and develop new avenues for inquiry and investigation. This is certainly a gap that has to be addressed if national housing policy hopes to protect the affordable, private-rental inventory.

> **Question 8—Is the condition of Canada's aging housing stock in slower-growth metropolitan, small town and rural submarkets deteriorating? How will the related factors of age and condition of the stock affect operating costs?**

Discussion

There have been no recent comprehensive and systematic surveys which detail the condition of the housing stock in these submarkets, although self-reporting suggests the need for repair is increasing. In these submarkets the stock, both ownership and rental, continues to age and a limited number of new units are being added. Operating costs increase with age, but there is also potential with new building technologies and systems to improve the quality and affordability of the aging stock.

Rationale

With the aging of the stock (Statistics Canada, 2001), the increasing trend toward purchase of resale homes (MLS, 2002) and the long-term trend of increasing utility costs (CHBA, 2001b) the condition of the aging housing stock is taking on added importance. Extensive renovation and modernization may be necessary to protect the condition and affordability of this stock. However, no systematic database is available to determine the extent of the problem, the nature of the repairs and renovations necessary, the estimated cost or the potential for households to afford the investment necessary. There is also very little data available to suggest at what point homes should be demolished as opposed to investing in upgrading. Research is required to address these basic data collection and analysis gaps. Without this basic research, development of provincial and national strategies to improve the condition of the aging stock will be difficult.

This research issue is most important in slow-growth metropolitan centres, small towns and rural areas where new housing starts are limited, but all submarkets contain aging units. It also overlaps policy areas, such as environmental sustainability, and is of particular interest to the renovation sector, which would benefit from better information on the upgrading needs of the stock. Research in this area would also complement the suggested research initiative on the rental market, which has more of a high-growth metropolitan focus.

Although a systematic national study would be too expensive, focusing on particular design types and houses of different ages in selected centres would be a useful beginning to improved data and knowledge in this area. A series of case-study research initiatives would add considerable knowledge to help address the information gaps in this area. Case study work would also open up new avenues of inquiry, focusing on the investment required, the economic impact on these communities, job creation potential, housing technology issues and energy savings and their implications for achieving commitments related to the Kyoto Accord. The relationship to other areas of public policy and issues of concern is significant.

Summary

The eight potential future priority research questions are not a comprehensive listing of important research issues related to the socio-economic trends affecting consumers and housing markets. They have been identified, however, because of their importance to a number of submarket and policy areas (see Table 1, page 82). A more comprehensive listing of research gaps and priorities and associated areas for research, which were used as building blocks for determining these potential future priorities research questions, is detailed in the appendices.

Table 1—Future priority research areas

Criteria	Aboriginal population growth and migration	Polarization of the labour force
Driver of market change	Growing population group with many housing needs	Squeeze on middle-income persons Shifts in proportion of population in each of high-, medium- and low-income categories
Importance in submarkets	All submarkets Especially important in slow-growth metropolitan centres and rural communities	Affects high-growth metropolitan centres most Also important in slow-growth metropolitan centres and small towns to a lesser degree
New avenues for research	Understand the movement and turnover within cities Housing circumstances of new arrivals	Changes in demand for ownership and rental housing Housing design issues Understand potential renewal of interest in housing investment (especially rental)
Influences public policy	Links to support services and social services Links to policies in health care, education, employment, poverty alleviation, urban aboriginal strategy, on-reserve housing	Links to human resource development, skills development, innovation
Manageability	2001 Census Aboriginal Peoples Survey Growing literature Need for case study work in selected centres	Existing data on labour force, incomes, housing and mobility especially from 2001 Census Micro level studies in many centres would be expensive to conduct
	Nature and extent of discrimination	**Impact of expenditure to repair aging infrastructure on housing**
Driver of market change	Rise in immigrant and Aboriginal populations will change population dynamics and demand patterns	Costs may be passed on to consumers, leading to rising costs and potential affordability problems
Importance in submarkets	High-growth metropolitan centres (related to immigrants) Slow growth metropolitan centres and rural (related to Aboriginals) All submarkets for other population groups (single-parent households, low-income households)	Important in all submarkets More pressing in slow-growth metropolitan centres and small towns with eroding tax bases

New avenues for research	Most existing research is isolated case studies or anecdotal evidence Need for empirical data, such as through fair housing audits Need to understand how discrimination is exercised by property owners over their tenants	Impacts on consumers are not well known Distribution of cost burden among consumers, businesses and municipalities Pricing mechanisms
Influences public policy	Links to legislation on discrimination Links to child poverty, social welfare and social cohesion policies Links to immigration policy	Links to municipal finance Links to taxation policy
Manageability	Surveys and case studies can be replicated from research completed in other countries	Costly for a national study Case studies in selected centres are manageable

	Needs of distinct immigrant and refugee groups	**Smart growth housing and planning options**
Driver of market change	Immigrant population growth needed to offset aging population and declining population replacement rates	Leads to mixed land use, compact communities, higher densities, range of housing designs, transportation alternatives
Importance in submarkets	Especially in high-growth metropolitan centres Affects selected centres in other submarkets	Critical for high-growth metropolitan centres Affects slow-growth metropolitan centres and small towns as well
New avenues for research	Understand the needs of these immigrant and refugee groups (including differences among specific groups) Understand the barriers they face in the housing market Understand housing preferences, develop design guidelines Longitudinal studies of successful integration Immigrant needs in suburban communities	Understand public demand/acceptability thresholds Promote municipal acceptance Examine/document-specific consumer markets and successful marketing strategies
Influences public policy	Regional growth strategies Links to labour force development policies, immigration policies, poverty alleviation, social welfare	Planning/management of urban growth Links to commitments in Kyoto Accord

Manageability	Secondary data from 2001 Census Primary survey and interview data needed, but expensive Link to research by the Metropolis Project	Surveys and opinion polls needed Case studies in large urban centres
	Extent and nature of changes in rental housing stock	**Condition of aging stock and effect on operating costs**
Driver of market change	Reduction in number of affordable units for low- and middle-income households Rates of return on rental investment are low, reducing interest in new construction and in upgrading existing stock	Aging stock, more resale home being purchased, rising utility costs affects markets Homeowner renovation and modernization on the rise
Importance in submarkets	All submarkets, especially high-growth metropolitan centres Slow-growth metropolitan centres and small towns are dependent on preservation of existing stock for rental supply	Primarily slow-growth metropolitan centres, small towns and rural communities
New avenues for research	Understand the magnitude of expenditures required to upgrade stock Understand impact of stimulative strategies that might lead to investment by owners Effects of investments on rent levels and affordability	Understand connection to job creation potential, economic impacts of renovation and modernization activity Technology issues and energy savings associated with modernization
Influences public policy	Links to affordable housing policy Links to poverty alleviation strategies	Links to environmental sustainability strategies
Manageability	2001 Census data on rental households Lack of data on economics of modernization and renovation of existing stock Date collection will be time consuming and expensive	Self reporting of need for repair in 2001 Census Need database on repair/renovation costs, affordability of costs of modernization for households Costly data collection but can be managed by focusing on specific housing types and age categories Case studies in selected communities

Appendix A: Research gaps by topic

The research priorities for each of the 12 topic areas explored in this study are summarized in Table 2 (*see* page 85). The priorities are provided in two groups: research gaps which exist in our knowledge about specific trends and issues; and, existing and ongoing research considered to be important to continue (i.e., to track changes in trends). The summary of these items was developed from our review of the literature and our interpretation of the research needs.

These research priorities were assessed, together with those identified in Appendix B (*see* page 91) and Appendix C (*see* page 96), against the criteria outlined in Section 5, to determine the potential future priority research questions.

Table 2—Summary of research priorities

Research Topic	Research gap	Existing and ongoing research which should continue
Macro-economic factors	Understanding the effect of changes in capital markets and global investment patterns on mortgage markets and interest rates and their impact on the cost of housing Evaluating the effects of housing stimuli during the last decade in order to inform decisions about potential future actions Modelling changes in tax approaches to asset depreciation	Understanding the link between changes in full-time employment growth and its impact on the long term housing demand and production Developing a better understanding of the social, economic and demographic drivers of demand

Research Topic	Research gap	Existing and ongoing research which should continue
Demographic changes	Growing ethnic diversity and implications for the housing market Differential growth by age groups and the long term effects on the housing market Demographic change and new types of tenure options Greying neighbourhoods, the implications for housing and urban development Migration trends and the implications for investment and disinvestment in housing Slow growth and the implications for the housing market Differential growth by region and its effect on the housing market	Impact of an aging population on housing demand, design and tenure options Changing household composition and the implications for housing markets, housing designs and utilization of the existing stock Lifestyle and preference changes and implications for the housing market Aboriginal population growth, migration and demand for housing, type of housing, affordability and location
Labour force changes	Polarization within the labour force, growth of low end and high end jobs and implications for housing Implications of geographic changes in the labour force for housing: inner city renewal; further suburban expansion; fringe development impact of a changing global economic structure Economic/labour force life circumstances of different generations (e.g., generation "X") and implications for housing	Gender changes in the labour force and the implications for housing

Research Topic	Research gap	Existing and ongoing research which should continue
Housing construction and renovation	Financing of housing maintenance for large scale structures, including planning for rehabilitation of older rental properties and development and management of replacement reserve funds Understanding problems and issues related to public housing, including a focus on the modernization of management systems Quantifying the range and extent of the impacts of technology innovations on the housing industry and the overall quality and cost of housing	Relationship between demographic changes, household formation and demand for new housing versus a focus on expenditures on renovations Modelling of housing starts trends in relation to rates of economic growth, availability of employment and population migration Role and impact of manufactured and modular housing
Cost of housing	Linkages between immigration and house prices	Monitoring impacts of construction union wage rates, lumber prices, lot prices, levies and fees and other inputs, on the cost of housing Understanding the relationship between population growth rate, the rate of new housing construction activity and housing prices Costs and savings associated with developing environmentally sensitive housing
Financing mechanisms	Developing new financing mechanisms for changing tenure options, multi-party funding and mixed use developments Understanding the challenges, opportunities and potential outcomes of complex financing partnerships Assessing impact on and likely futures of housing markets (both ownership and rental) of the change to mortgage financing, especially the 5% minimum down payment	Understanding the problems and barriers associated with the renovation sector getting access to financing for renovation activity

Research Topic	Research gap	Existing and ongoing research which should continue
Municipal infrastructure	Developing environmentally sensitive infrastructure Developing cost effective but environmentally sensitive infrastructure for northern communities How to catch up with deteriorating infrastructure	The real costs of urban growth (dollars, environmental implications) Assessing the role of changing land use patterns and changes in urban form in generating cost savings for infrastructure Monitoring the effect on housing affordability resulting from shifting costs (i.e., user fees)
Smart growth	Better defining the benefits of smart growth (costs, environmental implications) and their implications for affordable housing Determining people's preferences, attitudes and acceptance of smart growth Using smart growth to manage future urban growth, what are the options Appropriate housing designs in a smart growth context Adapting smart growth to existing built up areas Smart growth and its relevance to fast growth and slow growth areas	Understanding and defining smart growth
Market failure	Developing a better understanding of market failure Assessing the extent of discrimination in housing markets Assessing the effectiveness of anti-discrimination laws and regulations and enforcement mechanisms Examining the evidence and impact of discrimination in housing choice on immigrant populations Examining the role of public policy in initiating market failure	Modifying some of the existing CMHC information guides to include information for specific consumer groups looking for information about more specific housing options available in the marketplace, such as seniors, low income households and those with special needs

Research Topic	Research gap	Existing and ongoing research which should continue
Multiculturalism and housing variation	Measuring housing affordability for recent immigrants (possible wide variation depending on age, marital status, education, household type and period of immigration) Focused studies to determine present and future housing needs of refugees and recent immigrants, translate these needs into design guidelines, tenure options Assessing the housing needs of immigrant labourers (e.g., those working in meat processing, garment industry, seasonal agriculture) Assessing the extent of discrimination in the marketplace	Continuing longitudinal studies on the integration patterns of various categories of immigrants; tracking the housing choices, options and improvements of the same group of immigrants over time Determining market implications of immigration Research focusing on the discrimination experiences of different ethnic and racial groups in society Research on the effectiveness of legislation and regulations to prevent discrimination
Income disparities	Undertaking an analysis of income disparities by segments of the population with attention to the potential effect on housing markets Assessing the geographical differentiation of income disparity and the resulting effects on housing markets Projecting future income disparities to assess expectant increase / decrease in housing market demand	Continued research/monitoring of core need

Research Topic	Research gap	Existing and ongoing research which should continue
Rental markets	Understanding how changing household structure impacts the rental market Difficulties associated with maintaining the existing inventory; scale of investment required; market factors which make such investment viable; effects on affordability; and incentives that might be required Understanding what types of rental housing to build and where and for what income groups and household types Understanding how to meet the demand for rental accommodation and close the "gap" between market rents and ability of the renter to pay Assessing rental needs in rural small towns and northern areas Understanding the nature and magnitude of stock losses in the rental sector Building a better understanding of the non-traditional rental sector	Assessing rental needs of an aging population Examining the factors driving the decline in private rental markets on a global basis (the global market gap)

Appendix B: Research gaps by submarket

Specific issues and trends requiring further research are grouped within each of the five submarket areas used as a framework for this study. The summary of these research gaps was developed from our review of the literature and our interpretation of the needs. We have identified the issues and trends for further research within each submarket by assessing the interrelatedness of many of the major topics described Appendix A (*see* page 85). The list is not intended to be exhaustive or fully prioritized, but rather it is intended to reflect important and interrelated issues. We emphasize that these are geographic-specific issues and they may not necessarily be important from a national perspective in terms of research priorities.

These research priorities were assessed, together with those identified in Appendix A (*see* page 85) and Appendix C (*see* page 96), against the criteria outlined in Section 5 (*see* page 70), to determine the potential future priority research questions.

High-growth metropolitan centres

Immigration and housing needs High-growth centres are the primary recipients of international immigration. Continued research is required to better understand the specific housing needs of distinct immigrant populations, the barriers they face, the opportunities for the building industry, etc.

How income disparity and polarization within the labour force influences housing More research is required to understand the relationship among high- and low-income outcomes of the changing nature of our labour force (high-skill, high-wage, technology- related jobs versus low-skill, low-wage service jobs); and how it influences the types of housing and geographically bounded demands generated by polarized income groups.

Smart growth, the environment and infrastructure (re)development There is a need for greater evidence of how to create public demand for smart growth approaches within these urban centres. Coupled with this is a need to understand different financing approaches to meeting infrastructure development costs.

Labour force issues in the construction and renovation sector Further research is needed to assess the barriers to labour force mobility in the construction sector and how to remove them so that the sector may respond in a more timely fashion to the rapid demands for new housing construction.

Rental supply issues High-growth centres appear to be generating new condominium and high-end rental stock. However, there is little or no new, affordable rental stock being built and the existing rental stock is aging or being removed from the overall supply in favour of other residential (primarily condominiums) and non-residential developments. There is a need to develop a better understanding of rental housing dynamics and how to remove barriers to rental housing investment in high-growth centres.

Changes in the labour force The continued shift to the knowledge-based economy creates different demands for housing, including inner or central business district locations. It also creates changes in the types of physical structures and the (technology) services contained therein. We need more information about how this shift affects housing and community dynamics.

Slow-growth metropolitan centres

Demographic change Little is known about the "demographic churn" within slow-growth centres—is this population aging? What about youth migration? What are the resulting impacts on housing demand?

Economic "spikes" and housing change Slow-growth centres will experience periodic economic booms (e.g., St. John's and offshore development; Saint John and shipbuilding contracts; Brooks, Alta. and meat processing) which—in the short term—drive new residential construction and often cause a rise in housing prices, before settling back to "typical" patterns of growth. Research is needed to understand the nature of the impacts of these effects on a temporary basis and over the long term, including the impact on the supply of affordable housing, the changes in the fabric of the urban environment and the impact on infrastructure. Developing a better understanding of what happens when the boom is over and how to mitigate the negative impacts of cyclical growth on housing markets are important issues for further research.

The challenges of smart growth, the environment and infrastructure renewal In these centres we need to develop an understanding of how to finance infrastructure renewal when the private sector has no capacity to cost-share or pay given the slow pace of development and local government with a slow-growth tax base. Furthermore, there is a need to develop approaches that stimulate interest in smart growth within a context where municipalities are sometimes desperate for new growth to occur.

Rental housing issues Demand for rental housing is not being driven by new population growth. More households in slow-growth communities find affordable homeownership opportunities. With reduced demand for rental (primarily from seniors and newly formed single- and two-person households), we need to research how the private sector may provide new rental accommodations when return on investment is limited or occurs over a much longer period than is acceptable to private investors.

Changes in the labour force Slow-growth centres are more dependent on traditional manufacturing and the service sector, as opposed to the knowledge-based economy which characterizes more of the high-growth centres. We need to understand the different housing demands associated with this type of labour force.

Small town Canada

The aging population Seniors are retiring to small towns near large urban centres other "central places," where access to (health) services is readily available. We need to know more about the needs and resulting innovations associated with housing an aging population. Related to this is the depressed income growth among seniors. The predictions of the late 1980s and early 1990s centred on a growing elderly population with higher incomes reshaping housing markets, may no longer hold. Given the changes in the global economy and smaller growth in retirement incomes (particularly for seniors who have worked in primary sector occupations), we need to know more about how this has and will affect demands for housing and services. Finally, in small towns there is a need to examine how to structure a full range of housing options (from independent to assisted to enriched to nursing home care) to serve a broad regional territory.

Rental investment and rental demand The demand thresholds for rental housing are limited; one vacancy in a ten-unit apartment building can be problematic from a cash flow and profit perspective. Research is needed to assess risks and develop strategies for reducing those risks. Related to this issue is the challenge associated with small numbers of households in different income groups (low-income, working poor, social assistance, transient labour, professionals) each with specific rental housing needs. We need more information about how to develop private sector, mixed-income rental developments and how they are managed financially and socially.

Quality of the housing stock There have been no recent comprehensive and systematic surveys completed detailing the condition of the housing stock, although self-reporting suggests the need for repair is increasing. The stock continues to age with limited new units added. Operating costs increase with age. There is a need for research on the interrelated issues of quality, age, operating costs and the resulting local, provincial and national strategies for improving the condition of the aging stock, including potential investment of new building technologies and systems into existing housing.

Infrastructure renewal The costs of financing this renewal have a direct bearing on housing affordability: property taxes must be increased; municipalities need to borrow more money or implement higher user fees. In either case, taxpayers foot the bill. Research is needed to understand the extent of the infrastructure problem in small towns, as well as the potential range of solutions and the resulting effects on housing affordability.

Regional issues More research is needed to better understand the regional dynamics that small towns find themselves in and the resulting impacts on housing supply and demand. The role of small towns has shifted over time; they no longer are the primary economic bases for their immediate surrounding rural areas. On a larger regional scale, some small towns may become important regional service providers of health and education services. Those communities will need to provide housing for professionals. Those centres that do not capture a regional market seem destined to decline. However, research is needed to determine what short-term housing requirements exist during this stage of decline. It is just as important to understand the dynamics of disinvestment in these small towns as it is to understand the market for investment in small towns serving as modest growth centres.

Rural communities

Labour force in the construction and renovation sector Given the lack of stable revenue from new construction, many firms engage themselves in renovation activity or they operate on a much wider regional basis. In many cases, there is an adequate supply of construction labour, but there is limited demand for services and limited mobility capacity within the labour pool. What are the operational issues associated with this environment?

Lack of infrastructure Given the property-specific nature of water supply and septic systems, there is a need for more information about the quality of these systems and, where appropriate, the potential for multi-unit sharing of infrastructure. There are emerging concerns related to the environment, habitat, groundwater protection and housing affordability.

Housing market disinvestment In some rural communities where economic activity has ceased (mine closure, fishery closure, etc), we see evidence of housing disinvestment. Householders are unable to sell their property and they lose their equity. Critical services (especially social and public services such as health care, education and much more) are removed. What are the options for assisting communities and households in these circumstances to make transitions to other communities? What planning mechanisms are currently working or need to be developed in new cases where potential new communities might be established, so that these issues can be addressed early on or avoided altogether?

Quality of the housing stock There have been no recent comprehensive and systematic surveys completed detailing the condition of the housing stock, although self-reporting suggests the need for repair is increasing. The stock continues to age with limited new units added. Operating costs increase with age. There is a need for research on the interrelated issues of quality, age, operating costs and the resulting local, provincial and national strategies for improving the condition of the aging stock, including potential investment in new building systems and technologies.

The North

Labour force in the construction and renovation sector For the most part this labour force does not exist. Research is needed to assess how the private sector may be developed to fill labour force gaps. Related to this is a need to assess approaches for innovative financing and private sector investment in housing supply in the North.

Aboriginal and Inuit demographic trends and housing needs There is a need for modeling and forecasting of the potential housing demands and their implications for these groups. Although they have the highest birth rates and rates of household formation, there is some speculation that these trends for Aboriginal households may soon be changing as households opt for fewer children. The changing nature of the extended family and the growing need for housing options for seniors is little understood.

Construction labour force Given the difficulty of building in a cold climate, there is a need to research and assess relevant labour force skills and capacities and to determine criteria for labour force training related to new building technologies, for example, those involving environmental approaches to treating waste.

Culturally appropriate housing More research is needed to develop better housing designs and systems that meet the needs of Northern Aboriginal groups.

Appendix C: Additional research gaps

This appendix briefly summarizes additional apparent research gaps, which are not addressed in either Appendix A or Appendix B. These research gaps cut across a number of topics and themes and may or may not be geographic-specific. They are, however, considered to be priorities for research. This is based on comments in the literature and on our knowledge and expertise of what research has or has not been done. Some of these gaps may not be high priorities for a national program of research but they might be important regionally or across one or more of the different submarkets in Canada.

These research priorities were assessed, together with those identified in Appendix A and Appendix B, against the criteria outlined in Section 5 (*see* page 70) to determine the potential future priority research questions.

Housing and its linkages to other sectors There is a need for research on the connections between housing and other sectors of activity. For example, we know very little in Canada about the linkage between housing and community economic development. To what extent are housing assets used to leverage other economic activities in a community? The United States is exploring the connection between housing and investments in designated "empowerment zones" designed to stimulate local economic development. Australia is exploring strengthening communities through community economic development. There are also connections to the health care and social services sectors that need to be explored. Health Canada has initiated some preliminary work in this area. The United Kingdom research agenda includes topics on supporting people (e.g., the frail elderly, physically disabled, those with disruptive behaviours) in a housing context. Australia's research agenda includes housing assistance linkages (housing and health, social assistance, education and other support services).

Housing and socio-economic outcomes There is a lot of research on market problems and the potential solutions for addressing them. However, there is less work on satisfaction with housing provided and on the overall utility and "success" (broadly defined) of housing once it is built. This is true in all submarkets. For example, we know little about the housing outcomes of some of the new technology introduced into the built environment of Northern communities. How does housing contribute to household satisfaction or lifestyle objectives? In what ways does housing contribute to healthy communities? New Zealand is exploring the outcomes emerging out of its recent changes in housing policy.

Another important element related to housing and socio-economic outcomes relates to the increasing popularity of assisting low-income households move to homeownership. An important research focus is determining the sustainability of homeownership options for low-income households. Many programs focus on providing ownership for low-income households by providing upfront grants or rent-to-own approaches, but there is generally no ongoing support. The important research question in this context is: Can these households sustain the cost of ownership over the longer term without continued public assistance? For some low-income households, homeownership presents an opportunity to accumulate modest wealth and assets. For others, the experience may result in deepening debt and poverty. This can be very important related to their housing outcome(s).

Housing and knowledge-based economy The literature to date on the knowledge-based economy does not explicitly discuss the housing needs and demands of knowledge workers. There is discussion about the use of technology equipment in the home. But there is almost no discussion of the housing form and location preferred by such workers. How does the knowledge-based economy affect demand? What are the important factors in the location decisions these workers make both within cities and their preferences for particular cities? What other aspects about living environments are important to them?

The nature of the existing stock Most of the research tends to focus on development of new housing or on the factors associated with housing demand. What is needed is more research on detailed characteristics of the existing stock, including: conditions (state of repair); suitability to changing household need and types; useful life span of existing stock; the economic returns on renovation and much more. The United Kingdom has undertaken an aggressive approach to data collection and forecasting with significant emphasis on annual surveys of the existing stock and households. The United States has a rehabilitation research initiative to explore renewal of the existing stock.

Housing in rural areas and small towns, including the North Much of the research focus is on the larger urban centres, where the vast majority of our population lives. However, we generally know much less about housing supply-and-demand issues in smaller communities in rural communities and the North. In these types of communities there are challenges associated with small or non-existing markets, narrow or limited thresholds across different demand segments, limited capacity in the construction sector, infrastructure and environmental issues and many other topics which play a mitigating role. Although there has been considerable work in the past in rural areas and small towns, there has been less emphasis on this area in recent years. While some attention has been given to technical housing issues of the North, more research into the socio-economic variables of the housing sector is needed. These areas are undergoing significant transition because of changes in various sectors of the economy and a renewed focus on this area may be necessary to better understand market dynamics and housing needs. Australia, with a vast rural and remote area like Canada is placing considerable emphasis on research initiatives supporting housing in disadvantaged regions.

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